ALFRED NZO

DISTRICT MUNICIPALITY

Alfred Nzo District Municipality
Consolidated Annual Financial Statements
for the year ended 30 June 2020

Alfred Nzo District Municipality

Consolidated Annual Financial Statements for the year ended 30 June 2020

General Information

Mayoral committee

Executive Mayor	S Mehlomakulu
	P A Mohale (Deputy Executive Mayor)
	S Kulu (Speaker of Council)
	N Msokana (Chief Whip)
	S Cekeshe (MPAC Chairperson)
	K J Bosman
	P N Mankahla
	S Sello
	N Bongwana
	N N Nqoko
	V Mgoduka
	L Mcambalala
Councillors	B Betwayo
	N Cwele
	H N Dandala
	X Jona
	N T Langa
	N Langasiki
	W K Leballo
	N Ntshayisa
	F Mbuyelwa- Bewu
	M Mkhandaniso
	T P Motjope
	B L Mzimkhulu
	N L Ndamase
	V Ngesi
	N Njobe
	N B Nkomo
	L L Nqatsha
	CL Nxesi
	K S Pangwa
	W B Potwana
	F P Sontsi
	E Voko
	N F Sobazile
	L Nkula
	A I Guqaza
	N Pezisa
	P Stuurman
	N Ndabeni
Accounting Officer	Z H Sikhundla
Chief Financial Officer (CFO)	U P Mahlasela
Registered office	ERF 1400
	Ntsizwa Street
	Mount Ayliff
	4735
	Telephone +27(039) 254 5000

General Information

Business address	ERF 1400 Ntsizwa Street Mount Ayliff 4735
Postal address	Private Bag X511 Mount Ayliff 4735
Bankers	First National Bank of South Africa
Auditors	Auditor General of South Africa Registered Auditors 69 Frere Road Vincent East London 5204

Alfred Nzo District Municipality
Consolidated Annual Financial Statements for the year ended 30 June 2020

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The reports and statements set out below comprise the consolidated annual financial statements presented to the municipality council:

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COID	Compensation for Occupational Injuries and Diseases
UIF	Unemployment Insurance Fund
DBSA	Development Bank of South Africa
ANDA	Alfred Nzo Development Agency
GRAP	Generally Recognised Accounting Practice
EPWP	Expanded Public Works Programme
SDL	Staff Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
PAYE	Pay as You Earn
PPE	Plant Property and Equipment
SARS	South African Revenue Services

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the consolidated annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the consolidated annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the consolidated annual financial statements and were given unrestricted access to all financial records and related data.

The consolidated annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The consolidated annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the economic entity and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the economic entity and all employees are required to maintain the highest ethical standards in ensuring the economic entity’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the economic entity is on identifying, assessing, managing and monitoring all known forms of risk across the economic entity. While operating risk cannot be fully eliminated, the economic entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the economic entity’s cash flow forecast for the year to 30 June 2021 and, in the light of this review and the current financial position, he is satisfied that the economic entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is largely dependent on the government for continued funding of operations. The consolidated annual financial statements are prepared on the basis that the municipality is a going concern and that the government has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the economic entity's audit committee.

The Internal Auditors are responsible for independently reviewing and reporting on the economic entity's consolidated annual financial statements.

In terms of Government Gazette No 43582, the Finance Minister stated in terms of section 177 (1) (b) of the Local Government : Municipal Finance Management Act of 2003 (Act No.56 of 2003), exempt municipalities and municipal entities from the provisions of that Act, as set out in the schedule.

Subject to the condition in paragraph 2 of the schedule, municipalities and municipal entities are exempted, for the 2019/20 financial year, from complying with the deadlines in sections 126 (1) and (2), 127 (1) and (2), (129) (1) and 133 (2) of the Local Government : Municipal Finance Management Act, 2003 (Act No 56 of 2003).

The condition is that, Municipalities and Municipal entities must comply with a provision referred to paragraph 1 of government gazette No 43582 within 2 months after the deadline in the applicable provision.

Accounting Officer's Responsibilities and Approval

The consolidated annual financial statements set out on pages 7 to 73, which have been prepared on the going concern basis, were authorised and duly signed by the accounting officer on 27 November 2020 .

Z H Sikhundla
Municipal Manager

Accounting Officer's Responsibilities and Approval

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Accounting Officer's Responsibilities and Approval

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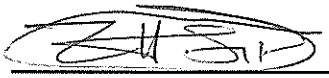

Z H Sikhundla
Municipal Manager

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2020.

1. Review of activities

Main business and operations

Net surplus of the economic entity was R 459,563,688 (2019: surplus R 534,903,158).

2. Going concern

The consolidated annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

5. Interest in controlled entities

Details of the municipality's investment in controlled entities are set out in note .

Statement of Financial Position as at 30 June 2020

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2020	2019 Restated*	2020	2019 Restated*
Assets					
Current Assets					
Operating lease asset	2	-	24,799	-	24,799
Inventories	4	11,229,633	12,438,841	11,229,633	12,438,841
Receivables from exchange transactions	5	57,305,610	53,945,555	57,103,253	53,771,398
Receivables from non-exchange transactions	6	4,101,231	691,100	4,101,231	691,100
VAT receivable	7	10,057,662	19,724,617	10,057,662	19,678,934
Cash and cash equivalents	8	578,722,009	283,220,708	578,014,620	282,497,181
		661,416,145	**370,045,620**	**660,506,399**	**369,102,253**
Non-Current Assets					
Property, plant and equipment	9	4,239,109,738	3,932,844,891	4,236,966,387	3,930,885,998
Intangible assets	10	2,907,866	2,830,884	2,810,549	2,757,622
Heritage Assets	11	131,100	131,100	131,100	131,100
Investments in controlled entities		-	-	100	100
Investments	13	8,727,587	8,022,159	8,727,587	8,022,159
		4,250,876,291	**3,943,829,034**	**4,248,635,723**	**3,941,796,979**
Non-Current Assets		4,250,876,291	3,943,829,034	4,248,635,723	3,941,796,979
Current Assets		661,416,145	370,045,620	660,506,399	369,102,253
Total Assets		**4,912,292,436**	**4,313,874,654**	**4,909,142,122**	**4,310,899,232**
Liabilities					
Current Liabilities					
Operating lease liability	2	225,957	215,270	225,957	215,270
VAT payable		618,982	-	-	-
Unspent conditional grants and receipts	14	76,476,389	166,005	76,310,388	3
Provisions	15	30,224,963	23,704,078	30,224,963	23,704,078
Current Portion of Long Term Loan	16	6,926	770,706	6,926	770,706
Payables from Non Exchange Transactions	17	2,241,327	1,178,433	2,241,327	1,178,433
Payables from exchange transactions	18	168,083,524	109,461,994	166,970,087	107,619,677
Employee Benefit Obligation	19	1,296,000	665,078	1,296,000	665,078
Bank overdraft	8	-	24,879	-	-
		279,174,068	**136,186,443**	**277,275,648**	**134,153,245**
Non-Current Liabilities					
Long Term Loan	16	-	4,436,079	-	4,436,079
Employee Benefit Obligation	19	9,603,000	8,922,810	9,603,000	8,922,810
		9,603,000	**13,358,889**	**9,603,000**	**13,358,889**
Non-Current Liabilities		9,603,000	13,358,889	9,603,000	13,358,889
Current Liabilities		279,174,068	136,186,443	277,275,648	134,153,245
Total Liabilities		**288,777,068**	**149,545,332**	**286,878,648**	**147,512,134**
Assets		4,912,292,436	4,313,874,654	4,909,142,122	4,310,899,232
Liabilities		(288,777,068)	(149,545,332)	(286,878,648)	(147,512,134)
Net Assets		**4,623,515,368**	**4,164,329,322**	**4,622,263,474**	**4,163,387,098**
Accumulated surplus		4,623,515,368	4,164,329,322	4,622,263,474	4,163,387,098

* See Note 43

Statement of Financial Performance for the Period Ended 30 June 2020

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2020	2019 Restated*	2020	2019 Restated*
Revenue					
Revenue from exchange transactions					
Service Charges	21	24,666,692	36,021,719	24,666,692	36,021,719
Rental of Facilities and Equipment	22	327,496	453,061	207,496	369,583
Other Income	23	1,294,600	2,820,208	1,174,378	2,812,165
Interest Received	24	45,498,614	38,972,717	45,362,429	38,857,409
Agency Services	25	328,787	221,502	328,787	221,502
Reversal of Provision for Impairment	26	-	-	-	-
Actuarial Gains		485,741	-	485,741	-
Total revenue from exchange transactions		**72,601,930**	**78,489,207**	**72,225,523**	**78,282,378**
Revenue from non-exchange transactions					
Transfer revenue					
Government Grants & Subsidies	27	1,017,729,452	1,039,714,780	1,017,729,452	1,038,098,210
		72,601,930	78,489,207	72,225,523	78,282,378
		1,017,729,452	1,039,714,780	1,017,729,452	1,038,098,210
Total Revenue	20	**1,090,331,382**	**1,118,203,987**	**1,089,954,975**	**1,116,380,588**
Expenditure					
Employee Related Costs	28	(286,564,870)	(253,949,068)	(275,729,909)	(245,014,197)
Remuneration of Councillors	29	(11,565,141)	(10,359,387)	(11,565,141)	(10,359,387)
Litigation Expenditure	30	(2,038,619)	(9,508,418)	(2,038,619)	(9,508,418)
Depreciation and Amortisation	31	(80,598,779)	(77,610,368)	(80,253,612)	(77,301,720)
Finance Costs	32	(359,383)	(739,343)	(359,383)	(739,343)
Lease Rentals on Operating Lease		(798,525)	(878,317)	(798,525)	(854,492)
Provision for Debt Impairment	33	(2,593,262)	(7,814,997)	(2,593,262)	(7,814,997)
Bulk Purchases	34	(8,624,476)	(8,910,629)	(8,624,476)	(8,910,629)
Contracted Services	35	(92,918,644)	(82,626,540)	(92,861,399)	(82,591,889)
Transfers and Subsidies	36	-	-	(17,826,087)	(17,395,425)
Actuarial Losses		-	(897,443)	-	(897,443)
Loss on Disposal		(82,862)	(1,234,802)	(82,862)	(1,240,265)
General Expenses	37	(144,623,133)	(128,771,517)	(138,345,323)	(119,990,481)
Total Expenditure		**(630,767,694)**	**(583,300,829)**	**(631,078,598)**	**(582,618,686)**
		-	-	-	-
Total revenue		1,090,331,382	1,118,203,987	1,089,954,975	1,116,380,588
Total expenditure		(630,767,694)	(583,300,829)	(631,078,598)	(582,618,686)
Operating surplus/deficit		-	-	-	-
		-	-	-	-
		-	-	-	-
Surplus before taxation		459,563,688	534,903,158	458,876,377	533,761,902
Taxation		-	-	-	-
Surplus For the Year		**459,563,688**	**534,903,158**	**458,876,377**	**533,761,902**

* See Note 43

Statement of Changes in Net Assets for the Period Ended 30 June 2020

Figures in Rand	Accumulated surplus	Total net assets
Economic entity		
Balance at 01 July 2018	**3,621,522,220**	**3,621,522,220**
Changes in net assets		
Prior period error	6,366,857	6,366,857
Uploading assets	1,537,087	1,537,087
Net income (losses) recognised directly in net assets	7,903,944	7,903,944
Surplus for the year	534,903,158	534,903,158
Total recognised income and expenses for the year	542,807,102	542,807,102
Total changes	542,807,102	542,807,102
Restated* Balance at 01 July 2019	**4,164,329,418**	**4,164,329,418**
Changes in net assets		
Adjustments	(377,738)	(377,738)
Net income (losses) recognised directly in net assets	(377,738)	(377,738)
Surplus for the year	459,563,688	459,563,688
Total recognised income and expenses for the year	459,185,950	459,185,950
Total changes	459,185,950	459,185,950
Balance at 30 June 2020	**4,623,515,368**	**4,623,515,368**

Note(s)

Controlling entity		
Balance at 01 July 2018	**3,621,532,916**	**3,621,532,916**
Changes in net assets		
Prior period error (Note Number 44)	6,555,193	6,555,193
Uploading Assets	1,537,087	1,537,087
Net income (losses) recognised directly in net assets	8,092,280	8,092,280
Surplus for the year	533,761,902	533,761,902
Total recognised income and expenses for the year	541,854,182	541,854,182
Total changes	541,854,182	541,854,182
Restated* Balance at 01 July 2019	**4,163,387,097**	**4,163,387,097**
Changes in net assets		
Surplus for the year	458,876,377	458,876,377
Total changes	458,876,377	458,876,377
Balance at 30 June 2020	**4,622,263,474**	**4,622,263,474**

Note(s)

* See Note 43

Cash Flow Statement for Period Ended 30 June 2020

Figures in Rand	Note(s)	Economic entity 2020	Economic entity 2019 Restated*	Controlling entity 2020	Controlling entity 2019 Restated*
Cash flows from operating activities					
Receipts					
Service Charges		32,126,529	37,134,123	32,126,529	37,134,123
Other Receipts		1,822,674	3,524,500	1,710,661	3,403,250
Interest income		32,101,663	26,152,160	31,965,478	26,036,852
Government Grants and Subsidies		1,094,039,840	1,039,714,779	1,094,039,840	1,038,098,209
		1,160,090,706	1,106,525,562	1,159,842,508	1,104,672,434
Payments					
Employee costs		(286,164,330)	(253,663,408)	(275,729,909)	(245,014,194)
Suppliers		(203,015,077)	(222,778,977)	(213,705,064)	(229,951,340)
Finance costs		(525,556)	(829,947)	(504,321)	(807,020)
Remuneration of Councillors		(11,565,144)	(10,359,389)	(11,565,144)	(10,359,389)
		(501,270,107)	(487,631,721)	(501,504,438)	(486,131,943)
Total receipts		1,160,090,706	1,106,525,562	1,159,842,508	1,104,672,434
Total payments		(501,270,107)	(487,631,721)	(501,504,438)	(486,131,943)
Net cash flows from operating activities	39	**658,820,599**	**618,893,841**	**658,338,070**	**618,540,491**
Cash flows from investing activities					
Purchase of property, plant and equipment	9	(357,924,362)	(429,391,800)	(357,524,522)	(428,946,223)
Purchase of other intangible assets	10	(73,950)	(371,839)	-	(301,890)
Purchase of financial assets		(705,428)	(703,500)	(705,428)	(703,500)
Proceeds from sale of other asset 3		895,695	141,998	895,693	-
Net cash flows from investing activities		**(357,808,045)**	**(430,325,141)**	**(357,334,257)**	**(429,951,613)**
Cash flows from financing activities					
Movement in long term loan		(5,486,377)	(2,347,256)	(5,486,377)	(2,347,256)
Net increase/(decrease) in cash and cash equivalents		**295,526,177**	**186,221,444**	**295,517,436**	**186,241,622**
Cash and cash equivalents at the beginning of the year		283,195,829	96,974,386	282,497,181	96,255,559
Cash and cash equivalents at the end of the year	8	**578,722,006**	**283,195,829**	**578,014,617**	**282,497,181**

* See Note 43

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Economic entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	57,142,277	(7,355,073)	**49,787,204**	24,666,692	**(25,120,512)**	
Rental of facilities and equipment	631,309	(296,591)	**334,718**	327,496	**(7,222)**	
Reserves	90,000,000	-	**90,000,000**	-	**(90,000,000)**	
Agency services	-	-	**-**	328,787	**328,787**	
Other income - (rollup)	2,251,812	1,081,312	**3,333,124**	1,294,600	**(2,038,524)**	
Interest received - investment	29,853,070	-	**29,853,070**	45,498,614	**15,645,544**	
Total revenue from exchange transactions	**179,878,468**	**(6,570,352)**	**173,308,116**	**72,116,189**	**(101,191,927)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	1,139,593,000	(10,122,000)	**1,129,471,000**	1,017,729,452	**(111,741,548)**	
'Total revenue from exchange transactions'	179,878,468	(6,570,352)	**173,308,116**	72,116,189	**(101,191,927)**	
'Total revenue from non-exchange transactions'	1,139,593,000	(10,122,000)	**1,129,471,000**	1,017,729,452	**(111,741,548)**	
Total revenue	**1,319,471,468**	**(16,692,352)**	**1,302,779,116**	**1,089,845,641**	**(212,933,475)**	
Expenditure						
Employee Related Costs	(286,528,041)	(420,576)	**(286,948,617)**	(286,564,870)	**383,747**	
Remuneration of councillors	(12,064,000)	324,382	**(11,739,618)**	(11,565,141)	**174,477**	
Litigation	-	(2,038,619)	**(2,038,619)**	(2,038,619)	**-**	
Depreciation and amortisation	(90,000,000)	-	**(90,000,000)**	(80,598,779)	**9,401,221**	
Finance costs	(500,000)	100,000	**(400,000)**	(359,383)	**40,617**	
Lease rentals on operating lease	-	(798,525)	**(798,525)**	(798,525)	**-**	
Debt Impairment	(30,000,000)	3,000,000	**(27,000,000)**	(2,593,262)	**24,406,738**	
Bulk purchases	(6,000,000)	(2,700,000)	**(8,700,000)**	(8,624,476)	**75,524**	
Contracted Services	(54,740,312)	(85,152,186)	**(139,892,498)**	(92,918,644)	**46,973,854**	
General Expenses	(267,394,586)	100,318,176	**(167,076,410)**	(144,623,133)	**22,453,277**	
Total expenditure	**(747,226,939)**	**12,632,652**	**(734,594,287)**	**(630,684,832)**	**103,909,455**	
	1,319,471,468	(16,692,352)	**1,302,779,116**	1,089,845,641	**(212,933,475)**	
	(747,226,939)	12,632,652	**(734,594,287)**	(630,684,832)	**103,909,455**	
Operating surplus	**572,244,529**	**(4,059,700)**	**568,184,829**	**459,160,809**	**(109,024,020)**	
Actuarial gains/losses	-	-	**-**	485,741	**485,741**	
Loss on non-current assets held for sale or disposal groups	-	(67,605)	**(67,605)**	(82,862)	**(15,257)**	
	-	**(67,605)**	**(67,605)**	**402,879**	**470,484**	
	572,244,529	(4,059,700)	**568,184,829**	459,160,809	**(109,024,020)**	
	-	(67,605)	**(67,605)**	402,879	**470,484**	
Surplus before taxation	**572,244,529**	**(4,127,305)**	**568,117,224**	**459,563,688**	**(108,553,536)**	
Deficit before taxation	572,244,529	(4,127,305)	**568,117,224**	459,563,688	**(108,553,536)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Taxation	-	-	-	-	-	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**572,244,529**	**(4,127,305)**	**568,117,224**	**459,563,688**	**(108,553,536)**	
Reconciliation						

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Controlling entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	57,142,277	(7,355,073)	**49,787,204**	24,666,692	**(25,120,512)**	a)
Rental of facilities and equipment	535,309	(338,591)	**196,718**	207,496	**10,778**	b)
Agency services	-	-	**-**	328,787	**328,787**	c)
Reserves	90,000,000	-	**90,000,000**	-	**(90,000,000)**	d)
Other income	2,251,312	1,021,312	**3,272,624**	1,174,378	**(2,098,246)**	e)
Interest received - investment	29,700,110	-	**29,700,110**	45,362,429	**15,662,319**	f)
Total revenue from exchange transactions	**179,629,008**	**(6,672,352)**	**172,956,656**	**71,739,782**	**(101,216,874)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	1,139,593,000	(10,122,000)	**1,129,471,000**	1,017,729,452	**(111,741,548)**	g)
'Total revenue from exchange transactions'	179,629,008	(6,672,352)	**172,956,656**	71,739,782	**(101,216,874)**	
'Total revenue from non-exchange transactions'	1,139,593,000	(10,122,000)	**1,129,471,000**	1,017,729,452	**(111,741,548)**	
Total revenue	**1,319,222,008**	**(16,794,352)**	**1,302,427,656**	**1,089,469,234**	**(212,958,422)**	
Expenditure						
Employee Related Cost	(275,730,163)	(420,576)	**(276,150,739)**	(275,729,909)	**420,830**	h)
Remuneration of councillors	(12,064,000)	324,382	**(11,739,618)**	(11,565,141)	**174,477**	i)
Litigation Expenditure	-	(2,038,619)	**(2,038,619)**	(2,038,619)	**-**	
Depreciation and amortisation	(90,000,000)	-	**(90,000,000)**	(80,253,612)	**9,746,388**	j)
Finance costs	(500,000)	100,000	**(400,000)**	(359,383)	**40,617**	k)
Lease rentals on operating lease	-	(798,525)	**(798,525)**	(798,525)	**-**	
Debt Impairment	(30,000,000)	3,000,000	**(27,000,000)**	(2,593,262)	**24,406,738**	l)
Bulk purchases	(6,000,000)	(2,700,000)	**(8,700,000)**	(8,624,476)	**75,524**	m)
Contracted Services	(54,610,312)	(85,152,186)	**(139,762,498)**	(92,861,399)	**46,901,099**	n)
Transfers and Subsidies	(20,000,000)	(500,000)	**(20,500,000)**	(17,826,087)	**2,673,913**	o)
General Expenses	(242,515,504)	85,362,676	**(157,152,828)**	(138,345,323)	**18,807,505**	p)
Total expenditure	**(731,419,979)**	**(2,822,848)**	**(734,242,827)**	**(630,995,736)**	**103,247,091**	
	1,319,222,008	(16,794,352)	**1,302,427,656**	1,089,469,234	**(212,958,422)**	
	(731,419,979)	(2,822,848)	**(734,242,827)**	(630,995,736)	**103,247,091**	
Operating surplus	**587,802,029**	**(19,617,200)**	**568,184,829**	**458,473,498**	**(109,711,331)**	
Actuarial gains/losses	-	-	**-**	485,741	**485,741**	q)
Loss on non-current assets held for sale or disposal groups	-	(67,605)	**(67,605)**	(82,862)	**(15,257)**	r)
	-	**(67,605)**	**(67,605)**	**402,879**	**470,484**	
	587,802,029	(19,617,200)	**568,184,829**	458,473,498	**(109,711,331)**	
	-	(67,605)	**(67,605)**	402,879	**470,484**	
Surplus	**587,802,029**	**(19,684,805)**	**568,117,224**	**458,876,377**	**(109,240,847)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Capex	579,459,350	(18,464,950)	**560,994,400**	369,441,932	**(191,552,468)**	
Surplus	587,802,029	(19,684,805)	**568,117,224**	458,876,377	**(109,240,847)**	
Capex	579,459,350	(18,464,950)	**560,994,400**	385,993,779	**(175,000,621)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**8,342,679**	**(1,219,855)**	**7,122,824**	**72,882,598**	**65,759,774**	

Reconciliation

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference

a) **Service charges** are under- collected due to the reduction in the number of billed customers as a result of the implementation of the indigent's policy. The scarcity or non- availability of water also contributed to less revenue. Furthermore towards the end of the financial year, from April 2020, most of the government departments, businesses and schools were closed and had not been using water and therefore were billed less than usual resulting in the reduction in revenue for the period.

b) **Rental of facilities and equipmen**t - A tenant that had given a notice to move out of one of the Municipal properties extended its period of stay resulting in more rental revenue than anticipated.

c) **Agency services** is commission charged by the municipality on garnishee orders and other employee deductions done on behalf of third parties. This was budgeted under other income but later separated from the other income to comply with GRAP.

d) **Reserves** are a non - cash item that covers the budgeted depreciation for the year and as such it has a nil effect as it is balanced out by another non cash item, depreciation.

e) **Other income**. This includes, a major contributor, the sale of tender documents, fees charged for property clearances, hiring out of facilities and other sundry charges. During the financial year less tender documents were sold. Most of the activity is usually in the last months of the financial year where procurement plan for the next financial year is being implemented, due to the lockdown there were less tenders sold.

f) **Interest earned** is more than what was budgeted for due to the improved cash balance achieved by the municipality and the implementation of the investment policy.

g) **Government grants- and subsidies** - Were underspent, this is due to the lockdown where activities in most contracts or projects had to be halted. The municipality has applied for roll over for all the unspent funds.

h) **Employee Related Costs**- Expenditure is less due to less travel as a result of COVID-19 lockdown.

i) **Remuneration of councilors**- The over budget is due to less travel as a result of COVID-19 lockdown.

j) **Depreciation -** Fewer projects were capitalised than anticipated hence the lower depreciation expense.

k) **Finance cost** - This is slightly over budget due to early settlement that was done on loan.

l) **Debt Impairment**- Consumers paid more than what the municipality had anticipated hence lower actual provision. This is a result of implementing the municipality's credit control and debt collection policy.

m) **Bulk purchases** - The under expenditure is due to DWA bulk water meters that were not working.
n) **Contracted services** are budgeted for under repairs and maintenance, security services and other contracted service under general expenses.

o)**Transfers and subsidies** - The over budget is attributable to Value Added Tax which is excluded on the actual expense vote.

p) **General Expenses** - under spending is due to the continued compliance with circular 82 of the MFMA on cost containment measures. The other underspending is due to the fact that some events and projects could not be done due to the lock down.
q) **Actuarial Gain** -This is a valuation done by the Actuarials, the provison is an estimate of the long service award based on historical staff turnover.
r) **Loss on disposal of assets** - This is due to assets that were derecognised during the year.

Accounting Policies

1. Basis of Preparation and Presentation of Financial Statements

The Annual consolidated annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003), including any interpretation, guidelines and directives issued by the Accounting Standards Board.

These consolidated annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these consolidated annual financial statements, are disclosed below.

1.1 Presentation currency

These consolidated annual financial statements are presented in South African Rand, which is the functional currency of the economic entity.

1.2 Going concern assumption

These consolidated annual financial statements have been prepared based on the expectation that the economic entity will continue to operate as a going concern for at least the next 12 months.

1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.4 Significant judgements and sources of estimation uncertainty

In preparing the consolidated annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the consolidated annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the consolidated annual financial statements. Significant judgements include:

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the economic entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Accounting Policies

1.5 Property, plant and equipment (continued)

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Assets under construction are carried at cost. Depreciation commences when asset is ready and available for use as intended by management.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	10-40
Plant and machinery	Straight line	2-20
Furniture and fixtures	Straight line	2-20
Motor vehicles	Straight line	4-10
Office equipment	Straight line	2-20
Infrastructure- Sanitation	Straight line	2-85
Infrastructure -Water	Straight line	2-100
Infastructure- Roads	Straight line	5-15
Bins and Containers	Straight line	5-10
Computer Equipment	Straight line	2-10
Emergency Equiment	Straight line	2-15
Park Homes	Straight line	20-40
Specialised Vehicles	Straight line	5-15
Land		Unlimited

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Accounting Policies

1.5 Property, plant and equipment (continued)

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the economic entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The economic entity assesses at each reporting date whether there is any indication that the economic entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the economic entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the economic entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The economic entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 35).

The economic entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 9).

1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the economic entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the economic entity; and
- the cost or fair value of the asset can be measured reliably.

The economic entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Accounting Policies

1.6 Intangible assets (continued)

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software	Straight line	2-5

The economic entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 10).

1.7 Heritage assets

Assets are resources controlled by an economic entity as a result of past events and from which future economic benefits or service potential are expected to flow to the economic entity.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an economic entity's operations that is shown as a single item for the purpose of disclosure in the consolidated annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an economic entity is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

Accounting Policies

1.7 Heritage assets (continued)

Recognition

The economic entity recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the economic entity, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

1.8 Investments in controlled entities

Controlling entity consolidated annual financial statements

In the municipality's separate consolidated annual financial statements, investments in controlled entities are carried at cost.

The municipality applies the same accounting for each category of investment.

The municipality recognises a dividend or similar distribution in surplus or deficit in its separate consolidated annual financial statements when its right to receive the dividend or similar distribution is established.

Investments in controlled entities that are accounted for in accordance with the accounting policy on Financial instruments in the consolidated consolidated annual financial statements, are accounted for in the same way in the controlling entity's separate consolidated annual financial statements.

1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the economic entity incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the formula. The same cost formula is used for all inventories having a similar nature and use to the economic entity.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Accounting Policies

1.10 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the economic entity; or
- the number of production or similar units expected to be obtained from the asset by the economic entity.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

[Specify judgements made]

1.11 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

All municipal assets are classfied as non cash generting assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Accounting Policies

1.11 Impairment of non-cash-generating assets (continued)

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the economic entity; or
- the number of production or similar units expected to be obtained from the asset by the economic entity.

Designation

At initial recognition, the economic entity designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of an economic entity's objective of using the asset.

The economic entity designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The economic entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the economic entity estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the economic entity recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.11 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The economic entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the economic entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.12 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an economic entity after deducting all of its liabilities.

1.13 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

Accounting Policies

1.13 Employee benefits (continued)

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Participating entities under common control

The contractual agreement, binding arrangement or stated policy for charging the net defined benefit cost is: [provide details] OR There is no contractual agreement, binding arrangement or stated policy for charging the net defined benefit cost.

The policy for determining the contribution to be paid by the entity is as follows: [provide details]

Accounting Policies

1.13 Employee benefits (continued)

Multi-employer plans and/or State plans and/or Composite social security programmes

The entity classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the entity accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the entity account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the entity account for the plan as if it was a defined contribution plan.

Insured benefits

Where the entity pays insurance premiums to fund a post-employment benefit plan, the entity treats such a plan as a defined contribution plan unless the entity will have (either directly or indirectly through the plan) a legal or constructive obligation to either:

- pay the employee benefits directly when they fall due; or
- pay further amounts if the insurer does not pay all future employee benefits relating to employee service in the current and prior reporting periods.

If the entity retains such a legal or constructive obligation, the entity treats the plan as a defined benefit plan.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Accounting Policies

1.13 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Accounting Policies

1.13 Employee benefits (continued)

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the consolidated annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [or is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Accounting Policies

1.13 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Accounting Policies

1.13 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.14 Provisions and contingencies

Provisions are recognised when:

- the economic entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the economic entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Accounting Policies

1.14 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the economic entity

No obligation arises as a consequence of the sale or transfer of an operation until the economic entity is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 42.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The economic entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the economic entity for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the economic entity considers that an outflow of economic resources is probable, an economic entity recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Accounting Policies

1.14 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.10 and 1.11.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.15 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for the municipality for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

Accounting Policies

1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the economic entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the economic entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the economic entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the economic entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Accounting Policies

1.16 Revenue from exchange transactions (continued)

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

1.18 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.19 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Accounting Policies

1.21 Irregular expenditure

Irregular expenditure is defined in section 1 of the MFMA as follows:
Ïrregular expenditure ", in relation to a municipality or municipal entity, means
a) expenditure incurred by a municpality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Plublic Office-Beares Act, 1988 (Act No.20 of 1998);or
d) expenditure incurred by a municipality or municipal entity incontravention contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipalityor entity or any of the muncipality'sby-laws giving effect to such policy, and which has not been condoned in terms of such policy or bu-law,
but excludes ependiture by a municipality which falls within the definition of "unautorised expenditure"

In this context 'expenditure' refers to any use of municipal funds that is in contravention of the following legislation:

>Municipal Finance Management Act, Act 56 of 2003, and its regulations
>Municipal Systems Act, Act 32 of 2000, and its regulations
>Public Office Bearers Act, Act 20 of 1998, and its regulations; and
>The municipality's supply chain management policy, and any by- laws giving effect to that policy.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

	Economic entity		Controlling entity	
Figures in Rand	2020	2019	2020	2019

2. Operating lease asset (accrual)

Current assets	-	24,799	-	24,799
Current liabilities	(225,957)	(215,270)	(225,957)	(215,270)
	(225,957)	**(190,471)**	**(225,957)**	**(190,471)**

3. Employee benefit obligations

Information on post retirements benefits

Employees belong to a variety of approved Pension and Provident Funds as described below. These funds are governed by Pension Funds Act and include both defined and defined contribution schemes. All these afore-mentioned schemes are multi employer plans and are subject to tri annual or annual valuation

Defined Contribution Schemes

Currently the municipality is making contributions to 3 defined contribution pension schemes namely Samwu National Provident Fund (SANPF), Municipal Councillors Pension Fund (MCPF), Cape Joint Pension Fund (CJPF).

GRAP 25 requires the disclosure of the amount recognised as an expense in the current financial year, reflecting the municipality's contribution to these contribution schemes for the year.

Defined Benefit Schemes

The municipality currently participates in Municipal Employees Pension Fund (MEPF), Government Employees Pension Fund (GEPF) Natal Joint Municipal Fund (NJMPF), South African Local Authorities Pension Fund (SALA).

All these are multi employer schemes and sufficient information is not available for the municipality to fully comply with the requirements of GRAP 25 with regards to defined benefits scheme. Plan assets are presented as one portfolio and not notionally allocated to each participating employer, the plan financial assets are not constructed separately for each participating employer but rather in respect of the whole plan including all participating employees. Contribution rates do not vary by participating employers.

The standard requires disclosures of the amount recognised as an expense in the current financial year, reflecting the municipality's contribution paid to these defined schemes in respect of this period.

Pension Contributions	2020	2019
Cape Joint Pension Fund	1,620,274	1,628,345
South African Municipal Provident Fund	4,911,660	4,500,798
Natal Joint Municipal Fund	913,203	866,133
Municipal Employees Pension Fund	10,616,757	8,738,031
South African Local Authorities Pension Fund	59,412	68,038
Gvt Employees Pension Fund	676,591	746,270
	18,797,897	**16,547,615**

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019	2020	2019

4. Inventories

Consumables Stores	4,941,541	5,065,761	4,941,541	5,065,761
Water	6,288,092	7,373,080	6,288,092	7,373,080
	11,229,633	**12,438,841**	**11,229,633**	**12,438,841**
Cost of producing one cubic meter	30.08	34.41	30.08	34.41
Water loss in rands	21,211,183	22,989,149	21,211,183	22,989,149
Water loss as a % of produced	28	30	28	30

The water losses are a result of leakages on the distribution system as well as illegal connections.

5. Receivables from exchange transactions

Consumer debtors - Water	51,976,035	49,414,675	51,976,035	49,414,675
Consumer debtors - Sewerage	2,668,355	2,341,796	2,668,355	2,341,796
Consumer debtors - Other	2,661,220	2,189,084	2,458,863	2,014,927
	57,305,610	**53,945,555**	**57,103,253**	**53,771,398**
Water	128,787,974	123,770,997	128,787,974	123,770,997
Sanitation	19,326,352	18,577,961	19,326,352	18,577,961
Other	3,635,991	3,436,045	3,433,634	3,261,888
	151,750,317	**145,785,003**	**151,547,960**	**145,610,846**
Water	(76,811,940)	(74,356,322)	(76,811,940)	(74,356,322)
Sanitation	(16,657,999)	(16,236,166)	(16,657,999)	(16,236,166)
Other	(974,772)	(1,246,961)	(974,772)	(1,246,961)
	(94,444,711)	**(91,839,449)**	**(94,444,711)**	**(91,839,449)**
Net Balances				
Water	51,976,034	49,414,675	51,976,034	49,414,675
Sanitation	2,668,353	2,341,795	2,668,353	2,341,795
Other	2,661,219	2,189,084	2,458,862	2,014,927
	57,305,606	**53,945,554**	**57,103,249**	**53,771,397**
Water				
Current (0-30 days)	3,417,466	3,723,200	3,417,466	3,723,200
31- 60 days	3,026,602	3,617,254	3,026,602	3,617,254
61- 90 days	3,191,864	4,136,956	3,191,864	4,136,956
91-120 days	2,872,428	3,061,476	2,872,428	3,061,476
>120 days	116,279,614	109,232,110	116,279,614	109,232,110
	128,787,974	**123,770,996**	**128,787,974**	**123,770,996**
Sewerage				
Current (0 -30 days)	388,428	358,068	388,428	358,068
31-60 days	330,003	348,221	330,003	348,221
61- 90 days	323,441	342,174	323,441	342,174
91-120 days	326,049	338,310	326,049	338,310
>120 days	17,958,432	17,191,189	17,958,432	17,191,189
	19,326,353	**18,577,962**	**19,326,353**	**18,577,962**

	Economic entity		Controlling entity	
Figures in Rand	2020	2019	2020	2019

5. Receivables from exchange transactions (continued)

Other				
Current (0-30 days)	202,366	212,203	9	38,046
31- 60 days	50,265	33,017	50,265	33,017
61- 90 days	35,364	32,384	35,364	32,384
91- 120 days	35,364	-	35,364	-
>120 days	3,312,633	3,158,441	3,312,633	3,158,441
	3,635,992	**3,436,045**	**3,433,635**	**3,261,888**

Summary of debtors by customer classification

Consumers				
Current (0-30 days)	752,531	909,481	752,531	909,481
31 60 days	719,208	882,897	719,208	882,897
61- 90 days	721,877	1,197,894	721,877	1,197,894
91-120 days	709,660	1,066,433	709,660	1,066,433
>120 days	79,675,396	81,078,881	79,675,396	81,078,881
Subtotal	82,578,672	85,135,586	82,578,672	85,135,586
Less Allowance for Doubtful Debts	(71,354,622)	(71,631,265)	(71,354,622)	(71,631,265)
	11,224,050	**13,504,321**	**11,224,050**	**13,504,321**
Industrial/ Commercial				
Current (0-30 days)	437,211	436,666	437,211	436,666
31-60 days	357,204	273,598	357,204	273,598
61-90 days	356,649	395,448	356,649	395,448
91-120 days	363,007	454,995	363,007	454,995
>120 days	35,180,040	25,720,165	35,180,040	25,720,165
Subtotal	36,694,111	27,280,872	36,694,111	27,280,872
Less Allowance for Doubtful Debts	(9,667,842)	(7,134,460)	(9,667,842)	(7,134,460)
	27,026,269	**20,146,412**	**27,026,269**	**20,146,412**
Churches				
Current (0-30 days)	22,470	32,685	22,470	32,685
31-60 days	21,645	29,254	21,645	29,254
61-90 days	23,345	51,193	23,345	51,193
91-120 days	22,514	46,825	22,514	46,825
>120 days	2,193,127	1,869,612	2,193,127	1,869,612
Subtotal	2,283,101	2,029,569	2,283,101	2,029,569
Less Allowance for Doubtful Debts	(2,084,077)	(1,797,958)	(2,084,077)	(1,797,958)
	199,024	**231,611**	**199,024**	**231,611**

	Economic entity		Controlling entity	
Figures in Rand	2020	2019	2020	2019

5. Receivables from exchange transactions (continued)

The carrying amount of trade and other receivables are denominated in the following currencies:

National and Provincial Government				
Current (0-30 days)	2,593,692	2,702,435	2,593,692	2,702,435
31-60 days	2,308,814	2,779,727	2,308,814	2,779,727
61-90 days	2,448,798	2,834,594	2,448,798	2,834,594
91-120 days	2,138,660	1,831,533	2,138,660	1,831,533
>120 days	18,037,738	18,344,086	18,037,738	18,344,086
Subtotal	27,527,702	28,492,375	27,527,702	28,492,375
Less Allowance for Doubtful Debts	(10,549,256)	(10,040,737)	(10,549,256)	(10,040,737)
	16,978,446	**18,451,638**	**16,978,446**	**18,451,638**
Other Sundry				
Current (0-30 days)	202,357	212,203	-	38,046
31 -60 days	-	33,017	-	33,017
61- 90 days	-	32,384	-	32,384
>120 days	2,464,378	2,568,996	2,464,378	2,568,996
Less allowance for impairment	(788,914)	(1,235,030)	(788,914)	(1,235,030)
	1,877,821	**1,611,570**	**1,675,464**	**1,437,413**
Total				
Current (0-30 days)	4,008,260	4,293,471	3,805,903	4,119,314
31-60 days	3,406,870	3,998,493	3,406,870	3,998,493
61-90 days	3,550,668	4,511,513	3,550,668	4,511,513
91-120 days	3,233,840	3,399,786	3,233,840	3,399,786
>120 days	137,550,680	129,581,740	137,550,680	129,581,740
Subtotal	151,750,318	145,785,003	151,547,961	145,610,846
Less Allowance for Doubtful Debts	(94,444,711)	(91,839,449)	(94,444,711)	(91,839,449)
	57,305,607	**53,945,554**	**57,103,250**	**53,771,397**
Opening balance	(91,839,449)	(84,024,452)	(91,839,449)	(84,024,452)
Provision for impairment	(2,605,254)	(7,814,997)	(2,605,254)	(7,814,997)
	(94,444,703)	**(91,839,449)**	**(94,444,703)**	**(91,839,449)**

Consumer debtors pledged as security

No cunsumer debtors were pledged as security during the year

Credit quality of consumer receivables

The credit quality of consumer receivables from exchange transactions that are neither past due nor impaired can be assesed for indications of impairment. The municipality considers that the above financial assets that are not impaired at each of the reporting dates under review are of good credit quality. The municipality continously monitors consumers and identified groups by reference to average payment history and incoporates this information into its credit risk control. No external credit rating is performed.

Consumers receivables are billed monthly. No interest is charged on consumer receivables. An imputed interest has been calculated to comply with the provisions of GRAP 9 paragraph 15 of revenue recognition. The municipality enforces its approved credit control policy to ensure the recovery of consumer receivables .None of the financial assets that are fully performing have been renegotiated in the last year.

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019	2020	2019

6. Receivables from non-exchange transactions

Staff Debtors	505,508	464,263	505,508	464,263
Other Debtors	3,595,723	226,837	3,595,723	226,837
	4,101,231	**691,100**	**4,101,231**	**691,100**

7. VAT receivable

VAT	9,438,680	19,724,617	10,057,662	19,678,934

VAT is payable on a cash basis once payment has been received from debtors then VAT is paid over to SARS

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019	2020	2019

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	571,916,176	280,391,272	571,249,917	279,667,745
Bank balances	6,805,834	2,829,436	6,764,704	2,829,436
Bank overdraft	-	(24,879)	-	-
	578,722,010	**283,195,829**	**578,014,621**	**282,497,181**

Short term deposits are investments with a maturity of less than 3 months and earn interests rates varying from 0% to 7.5% per annum.

	Economic entity		Controlling entity	
Figures in Rand	2020	2019	2020	2019

8. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2020	30 June 2019	30 June 2018	30 June 2020	30 June 2019	30 June 2018
Main Account- Current Account #62024932974	6,699,898	21,280,286	28,448,579	6,764,704	2,829,436	25,332,037
ANDM Main Call Account # 62474364553	280,047,781	176,228,187	25,643,010	280,047,781	176,228,188	25,643,011
DBSA -Loan Account #62425228732	58,962,420	90,301,067	42,352,676	58,962,420	90,301,069	42,352,676
Rural Road Asset Management #62454657720	49,695	3,956	403,129	49,695	3,956	403,129
Regional Bulk Account #62027459371	5,915,464	16,276	75,967	5,915,464	16,276	75,967
EPWP Account # 62058637110	99,237	9,833	64,819	99,237	9,833	329,624
FMG Account # 62033034597	437,883	3,715	65,326	437,883	3,715	65,326
WSIG Grant Account # 62033034448	15,059,475	56,600	115,244	15,059,475	56,600	115,244
Energy & Efficency Account #62027455808	2,604,111	31,184	11,490	2,604,111	31,184	11,490
Salaries & Alowances # 620255448855	48,737,597	12,670,980	123,110	48,737,597	12,670,980	123,110
ISDG Account # 62093560136	1,972,564	12,427	1,437,430	1,972,564	12,427	1,437,430
MIG Account # 62065368328	92,991,417	333,509	366,512	92,991,417	333,509	366,512
NEDBANK	64,372,274	-	-	64,372,274	-	-
Petty Cash	-	-	-	-	7	-
Main Account Account #62215290355	41,130	(24,879)	17,839	41,130	(24,879)	17,839
Livestock Account Account # 62238128351	1,882	3,707	3,724	1,882	3,707	3,724
SMME Account # 62238128517	2,682	2,751	546,731	2,682	2,751	546,731
Tourism Account # 62238128781	1,026	1,186	1,337	1,026	1,186	1,337
Fruit and Veg Call Account #62238129084	1,145	1,298	1,444	1,145	1,298	1,444
Woodcluster Call Account # 62238129804	1,170	1,321	1,466	1,170	1,321	1,466
ANDA Reserve Account #62238130231	645,313	706,384	69,768	645,313	706,384	69,768
Grain Call Account # 62238127949	2,421	2,505	71,672	2,421	2,505	71,672
Cut Flower Call Account # 62238128129	2,066	2,169	2,268	2,066	2,169	2,268
Resource Mobilisation Account # 62723836360	1,167	1,103	1,044	1,167	1,103	1,044
Capacity Building Account #62723833621	2,174	1,103	1,039	2,174	1,103	1,039
Commercial NFS Account # 62822669620	5,213	-	-	5,213	-	-
Total	**578,657,205**	**301,646,668**	**99,825,624**	**578,722,011**	**283,195,828**	**96,973,888**

9. Property, plant and equipment

Economic entity	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	465,000	-	465,000	465,000	-	465,000
Buildings	57,614,463	(25,959,348)	31,655,115	57,265,536	(24,015,756)	33,249,780
Infrastructure	2,300,883,484	(532,755,396)	1,768,128,088	2,259,629,679	(464,280,295)	1,795,349,384
Other property, plant and equipment	97,627,232	(47,581,516)	50,045,716	82,788,897	(39,296,130)	43,492,767
Assets Under Construction Water	2,193,474,311	-	2,193,474,311	1,865,130,800	-	1,865,130,800
Assets Under Construction Sanitation	190,232,239	-	190,232,239	191,315,838	-	191,315,838
Assets Under Construction Buildings	5,109,269	-	5,109,269	1,754,526	-	1,754,526
Assets Under Construction - Specialised Vehicle	-	-	-	2,086,796	-	2,086,796
Total	**4,845,405,998**	**(606,296,260)**	**4,239,109,738**	**4,460,437,072**	**(527,592,181)**	**3,932,844,891**

Controlling entity	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	465,000	-	465,000	465,000	-	465,000
Buildings	55,888,471	(25,671,683)	30,216,788	55,539,544	(23,785,624)	31,753,920
Infrastructure	2,300,883,484	(532,755,396)	1,768,128,088	2,259,629,679	(464,280,295)	1,795,349,384
Other property, plant and equipment	95,618,931	(46,278,239)	49,340,692	81,180,436	(38,150,702)	43,029,734
Assets Under Construction - Water	2,193,474,311	-	2,193,474,311	1,865,130,800	-	1,865,130,800
Assets Under Construction- Sanitation	190,232,239	-	190,232,239	191,315,838	-	191,315,838
Assets Under Construction- Specialised Vehicle Conversion	-	-	-	2,086,796	-	2,086,796
Assets Under Construction- Buildings	5,109,269	-	5,109,269	1,754,526	-	1,754,526
Total	**4,841,671,705**	**(604,705,318)**	**4,236,966,387**	**4,457,102,619**	**(526,216,621)**	**3,930,885,998**

Notes to the Consolidated Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Economic entity - 2020

	Opening balance	Additions	Derecognition	Transfers	Other changes, movements	Depreciation	Total
Land	465,000	-	-	-	-	-	465,000
Buildings	33,249,780	348,927	-	-	-	(1,943,592)	31,655,115
Infrastructure	1,795,349,384	136,500	(129,956)	41,859,817	-	(69,087,657)	1,768,128,088
Other property, plant and equipment	43,492,767	11,346,922	(266,374)	4,173,592	79,889	(8,781,080)	50,045,716
Assets Under Construction Water	1,873,856,718	361,477,410	-	(41,859,817)	-	-	2,193,474,311
Assets Under Construction Sanitation	182,589,920	7,642,320	-	-	-	-	190,232,240
Assets Under Construction- Specialised Vehicle	2,086,796	2,086,796	-	(4,173,592)	-	-	-
Assets Under Construction Buildings	1,754,526	3,354,742	-	-	-	-	5,109,268
	3,932,844,891	**386,393,617**	**(396,330)**	**-**	**79,889**	**(79,812,329)**	**4,239,109,738**

Reconciliation of property, plant and equipment - Economic entity - 2019

	Opening balance	Additions	Derecognition	Transfers	Other changes, movements	Depreciation	Total
Land	465,000	-	-	-	-	-	465,000
Buildings	36,930,696	-	-	(1,754,526)	-	(1,926,390)	33,249,780
Infrastructure	1,806,579,021	-	-	56,176,640	-	(67,406,277)	1,795,349,384
Other property, plant and equipment	47,536,674	6,762,526	(1,382,263)	-	-	(9,424,170)	43,492,767
Assets Under Construction Water	1,479,312,915	445,682,501	-	(45,157,781)	(5,980,917)	-	1,873,856,718
Assets Under Construction Sanitation	187,994,659	5,504,985	-	(10,909,724)	-	-	182,589,920
Assets Under Construction Roads	-	2,086,796	-	-	-	-	2,086,796
Assets Under Construction- Buildings	1,754,526	-	-	-	-	-	1,754,526
	3,560,573,491	**460,036,808**	**(1,382,263)**	**(1,645,391)**	**(5,980,917)**	**(78,756,837)**	**3,932,844,891**

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity - 2020

	Opening balance	Additions	Derecognition	Transfers	Depreciation	Total
Land	465,000	-	-	-	-	465,000
Buildings	31,753,920	348,927	-	-	(1,886,059)	30,216,788
Infrastructure	1,795,349,384	136,500	(129,956)	41,859,817	(69,087,657)	1,768,128,088
Other property, plant and equipment	43,029,734	10,947,082	(266,374)	4,173,592	(8,543,342)	49,340,692
Assets Under Construction - Water	1,873,856,718	361,477,412	-	(41,859,819)	-	2,193,474,311
Assets Under Construction - Sanitation	182,589,920	7,642,320	-	-	-	190,232,240
Assets Under Construction- Specialised Vehicle Conversion	2,086,796	2,086,796	-	(4,173,592)	-	-
Assets under Construction - Buildings	1,754,526	3,354,742	-	-	-	5,109,268
	3,930,885,998	**385,993,779**	**(396,330)**	**(2)**	**(79,517,058)**	**4,236,966,387**

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity - 2019

	Opening balance	Additions	Derecognition	Transfers	Other changes, movements	Depreciation	Total
Land	465,000	-	-	-	-	-	465,000
Buildings	35,377,303	-	-	(1,754,526)	-	(1,868,857)	31,753,920
Infrastructure	1,806,579,021	-	-	56,176,640	-	(67,406,277)	1,795,349,384
Other property, plant and equipment	47,165,205	6,316,949	(1,240,265)	-	-	(9,212,155)	43,029,734
Assets Under Construction - Water	1,479,312,915	445,682,501	-	(45,157,781)	(5,980,917)	-	1,873,856,718
Assets Under Construction - Sanitation	187,994,659	5,504,985	-	(10,909,724)	-	-	182,589,920
Asset Under Construction Roads	-	2,086,796	-	-	-	-	2,086,796
Assets Under Construction - Buildings	1,754,526	-	-	-	-	-	1,754,526
	3,558,648,629	**459,591,231**	**(1,240,265)**	**(1,645,391)**	**(5,980,917)**	**(78,487,289)**	**3,930,885,998**

The following water and infrastructure projects have been on hold for more than 2 years due to budget constraints

1) Tholamela Water
2) Ramohlakoana Sewer reticulation
3) Feasibility Studies

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance				
Contracted services	42,362,799	41,230,685	40,100,925	41,196,035

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019	2020	2019

10. Intangible assets

Economic entity	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, internally generated	7,146,752	(4,868,368)	2,278,384	6,967,502	(4,136,618)	2,830,884
Website Development	629,482	-	629,482	-	-	-
Total	**7,776,234**	**(4,868,368)**	**2,907,866**	**6,967,502**	**(4,136,618)**	**2,830,884**

Controlling entity	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, internally generated	6,531,869	(4,350,802)	2,181,067	6,426,569	(3,668,947)	2,757,622
Website Development	629,482	-	629,482	-	-	-
Total	**7,161,351**	**(4,350,802)**	**2,810,549**	**6,426,569**	**(3,668,947)**	**2,757,622**

Reconciliation of intangible assets - Economic entity - 2020

	Opening balance	Additions	Amortisation	Total
Computer software, internally generated	2,830,884	233,950	(786,450)	2,278,384
Website Development	-	629,482	-	629,482
	2,830,884	**863,432**	**(786,450)**	**2,907,866**

Reconciliation of intangible assets - Economic entity - 2019

	Opening balance	Additions	Amortisation	Total
Computer software, internally generated	2,883,958	371,839	(424,913)	2,830,884

Reconciliation of intangible assets - Controlling entity - 2020

	Opening balance	Additions	Amortisation	Total
Computer software, internally generated	2,757,622	160,000	(736,555)	2,181,067
Website Development	-	629,482	-	629,482
	2,757,622	**789,482**	**(736,555)**	**2,810,549**

Reconciliation of intangible assets - Controlling entity - 2019

	Opening balance	Additions	Amortisation	Total
Computer software, internally generated	2,841,544	301,890	(385,812)	2,757,622

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019	2020	2019

11. Heritage Assets

Economic entity	2020			2019		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	131,100	-	131,100	131,100	-	131,100

Controlling entity	2020			2019		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	131,100	-	131,100	131,100	-	131,100

12. Staff Loans

Long Term Receivables	1,076,862	1,088,862	1,076,862	1,088,862
	1,076,862	1,088,862	1,076,862	1,088,862
Allowance for Doubtful Debts	(1,076,862)	(1,088,862)	(1,076,862)	(1,088,862)
	-	**-**	**-**	**-**

The municipality assisted some employees to buy motor vehicles through provision of car loans. However, some of them have long left the municipality and some have passed on. This makes the recoverability of the amounts in question doubtful hence the muncipality decided to fully provide for the loan balances.

These loans were granted in 2002. The municipality does not offer loans to staff anymore.

13. Investments

Designated at fair value				
Nedbank Long term investment	8,727,587	8,022,159	8,727,587	8,022,159
	8,727,587	8,022,159	8,727,587	8,022,159
	-	-	-	-
	-	-	-	-
Non-current assets	8,727,587	8,022,159	8,727,587	8,022,159
Current assets	-	-	-	-

Account	Cashbook 2020	Cashbook 2019	Bank Statement 2020	Bank Statement 2019
Nedbank Account	8,727,587	8,022,159	8,727,587	8,022,159

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019	2020	2019

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts				
Seta Service	166,001	166,002	-	-
Municipal Infrastructure Grant	70,880,119	-	70,880,119	-
Municipal Systems Implementation Grant	(1)	(1)	(1)	(1)
Water Services Infrastructure Grant	5,430,266	-	5,430,266	-
Infrastructure Skills Development Grant	3	3	3	3
Regional Bulk Infrastructure Grant	1	1	1	1
	76,476,389	**166,005**	**76,310,388**	**3**

The nature and extent of government grants recognised in the consolidated annual financial statements and an indication of other forms of government assistance from which the economic entity has directly benefited;

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 27 for reconciliation of grants from National/Provincial Government.

These amounts are invested in ring-fenced investments until utilised.

	Economic entity		Controlling entity	
Figures in Rand	2020	2019	2020	2019

15. Provisions

Reconciliation of provisions - Economic entity - 2020

	Opening Balance	Additions	Utilised during the year	Total
Legal proceedings	1,200,000	-	-	1,200,000
Leave Provision	22,504,078	6,921,425	(400,540)	29,024,963
	23,704,078	**6,921,425**	**(400,540)**	**30,224,963**

Reconciliation of provisions - Economic entity - 2019

	Opening Balance	Additions	Utilised during the year	Total
Legal proceedings	-	1,200,000	-	1,200,000
Provision 2	20,899,121	2,661,916	(1,056,959)	22,504,078
	20,899,121	**3,861,916**	**(1,056,959)**	**23,704,078**

Reconciliation of provisions - Controlling entity - 2020

	Opening Balance	Utilised during the year	Total
Litigation Provision	1,200,000	-	1,200,000
Leave Provision	22,504,078	6,520,885	29,024,963
	23,704,078	**6,520,885**	**30,224,963**

Reconciliation of provisions - Controlling entity - 2019

	Opening Balance	Additions	Total
Legal proceedings	-	1,200,000	1,200,000
Leave Provision	20,127,818	2,376,260	22,504,078
Non Current Long Service	-	-	-
	20,127,818	**3,576,260**	**23,704,078**

Leave Provision

Staff leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

Litigation Provision

On the 26th of June 2019, the High Court of South Africa, Mthatha, delivered a judgement against the municipality on an old case between the municipality and Ms Z Mgwebi. The two parties are to meet to discuss the quantum of the compensation.

	Economic entity		Controlling entity	
Figures in Rand	2020	2019	2020	2019

16. Long Term Loan

Annuity loan is with the Development Bank of South Africa over a period of 25 years and at an interest rate of 11.47% per annum.

The municipality did not default on any payment of its Long Term Liabilities. No terms for payment were re-negotiated by the municipality.

An Investment with Nedbank (Account Number 7881111046/0002) has been ceded as security for the loan.

The loan was settled in the current financial year.

Development Bank of South Africa				
Non Current at Amortised Cost	-	4,436,079	-	4,436,079
Current at Amortised cost	6,926	770,706	6,926	770,706
	6,926	**5,206,785**	**6,926**	**5,206,785**

17. Payables From Non Exchange Transactions

These are payments made by customers in advance for consumption.

Advance payments by customers	2,241,327	1,178,433	2,241,327	1,178,433

18. Payables from exchange transactions

Trade payables	7,385,929	5,741,694	7,250,639	4,871,300
Accruals	86,266,545	47,622,545	86,266,544	47,622,545
Accrued bonus	5,341,001	4,622,743	5,341,001	4,622,743
Retentions	58,951,140	50,493,865	58,951,140	50,493,865
Third party payments	9,042,723	85,506	9,042,723	6,449
Other Creditors	122,946	32,912	118,040	2,775
Leave Pay Provision	973,240	862,729	-	-
	168,083,524	**109,461,994**	**166,970,087**	**107,619,677**

	Economic entity		Controlling entity	
Figures in Rand	2020	2019	2020	2019

19. Employee Benefit Obligation

Long Service Awards				
Current Portion	1,296,000	665,078	1,296,000	665,078
Non Current Portion	9,603,000	8,922,810	9,603,000	8,922,810
	10,899,000	**9,587,888**	**10,899,000**	**9,587,888**

Long Service Awards

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a long- service award is payable after five years of continuous service and every five years thereafter to employees. The provision is an estimate of the long service based on historical staff turnover. No other long service benefits are provided to employees. These provisions are made to enable the municipality to be in a position to fulfil its known legal obligations when they become due and payable.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2020 by Mr C Weiss Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end of the year 488, (2019: 448) employees were eligible for Long Service Awards.

The principal assumptions used for the purpose of the acturial valuations were				
Discount rate %	7	8	7	8
Cost Inflation rate %	4	6	4	6
Net Effective Discount Rate	3	2	3	2
Expected Retirement Age - Females	62	60	62	60
Expected Retirement Age - Males	62	65	62	65
	-	-	-	-

Movements in the present value of the Defined Obligation were as follows:				
Balance at the beginning of the year	9,587,888	7,557,467	9,587,888	7,557,467
Current Service Cost	1,346,722	944,015	1,346,722	944,015
Interest cost	755,769	607,176	755,769	607,176
Benefit Paid	(305,638)	(897,048)	(305,638)	(897,048)
Actuarial (gains) losses	(485,741)	1,376,278	(485,741)	1,376,278
Present Value of Fund at the end of the Year	**10,899,000**	**9,587,888**	**10,899,000**	**9,587,888**

The amounts recognised in the Statement of Financial Performance are as follows				
Current Service Cost	1,346,722	944,015	1,346,722	944,015
Interest Cost	755,769	607,176	755,769	607,176
Actuarial (gain) /loss	(485,741)	897,443	(485,741)	897,443
	1,616,750	**2,448,634**	**1,616,750**	**2,448,634**

The history of the adjustments is as follows	2020	2019	2018	2017
Defined Value of Defined Value Obligation	10,899,000	9,587,888	7,557,467	7,184,252

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019	2020	2019

20. Revenue

Service charges	24,666,692	36,021,719	24,666,692	36,021,719
Rental of facilities and equipment	327,496	453,061	207,496	369,583
Agency services	328,787	221,502	328,787	221,502
Other income	1,294,600	2,820,208	1,174,378	2,812,165
Interest received - investment	45,498,614	38,972,717	45,362,429	38,857,409
Government grants & subsidies	1,017,729,452	1,039,714,780	1,017,729,452	1,038,098,210
	1,089,845,641	**1,118,203,987**	**1,089,469,234**	**1,116,380,588**
The amount included in revenue arising from exchanges of goods or services are as follows:				
Service charges	24,666,692	36,021,719	24,666,692	36,021,719
Rental of facilities and equipment	327,496	453,061	207,496	369,583
Agency services	328,787	221,502	328,787	221,502
Other income	1,294,600	2,820,208	1,174,378	2,812,165
Interest received - investment	45,498,614	38,972,717	45,362,429	38,857,409
	72,116,189	**78,489,207**	**71,739,782**	**78,282,378**
The amount included in revenue arising from non-exchange transactions is as follows:				
Taxation revenue				
Transfer revenue				
Government grants & subsidies	1,017,729,452	1,039,714,780	1,017,729,452	1,038,098,210

21. Service charges

Sale of water	22,179,697	32,549,994	22,179,697	32,549,994
Sewerage and sanitation charges	2,486,995	3,471,725	2,486,995	3,471,725
	24,666,692	**36,021,719**	**24,666,692**	**36,021,719**

22. Rental of facilities and equipment

Premises				
Premises	327,496	453,061	207,496	369,583

23. Other income

Clearance fees	64,926	1,894,421	64,926	1,894,421
Fire Levy	23,729	18,270	23,729	18,270
Sundry Income	534,644	907,517	503,500	899,474
Debt Cancellation	89,078	-	-	-
Insurance Refund	582,223	-	582,223	-
	1,294,600	**2,820,208**	**1,174,378**	**2,812,165**

24. Investment revenue

Interest revenue				
Call Deposits	32,043,056	26,152,160	31,906,871	26,036,852
SARS Interest	58,607	-	58,607	-
Debtors Fair Value Adjustment	13,396,951	12,820,557	13,396,951	12,820,557
	45,498,614	**38,972,717**	**45,362,429**	**38,857,409**
	-	-	-	-
	45,498,614	38,972,717	45,362,429	38,857,409

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019	2020	2019

25. Agency Services

Commission received	328,787	221,502	328,787	221,502

The municipality earns commission from garnishee orders done on the employees salaries and paid to the third parties.

	Economic entity		Controlling entity	
Figures in Rand	2020	2019	2020	2019

26. Reversal of Impairment Provision

27. Government grants and subsidies

Operating grants				
Equitable share	556,720,000	510,344,000	556,720,000	510,344,000
Finance Management Grant	1,865,000	1,860,879	1,865,000	1,865,000
Service Seta	-	1,620,691	-	-
Local Government SETA	403,071	373,796	403,071	373,796
Energy Efficiency and Demand Management	6,000,000	6,000,000	6,000,000	6,000,000
Climate Change Grant	163,240	-	163,240	-
Expanded Public Works Programme	9,174,000	10,844,000	9,174,000	10,844,000
Water Services Infrastructure Grant	84,569,734	110,000,000	84,569,734	110,000,000
Municipal Infrastructure Grant	305,128,881	347,914,000	305,128,881	347,914,000
Regional Bulk Infastructure Grant	44,002,526	43,067,414	44,002,526	43,067,414
Department of Transport	2,426,000	2,290,000	2,426,000	2,290,000
Municipal Disaster Grant	1,877,000	-	1,877,000	-
Infrastructure Skills Development Grant	5,400,000	5,400,000	5,400,000	5,400,000
	1,017,729,452	**1,039,714,780**	**1,017,729,452**	**1,038,098,210**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

During the year, the municipality received its draw downs as per National Treasury indicatives.

Expanded Public Works Programme

Current-year receipts	9,174,000	10,844,000	9,174,000	10,844,000
Conditions met - transferred to revenue	(9,174,000)	(10,844,000)	(9,174,000)	(10,844,000)
	-	**-**	**-**	**-**

EPWP grant is used to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the EPWP guidelines: road maintenance and maintenance of buildings, low traffic volume roads and rural roads, basic services, infrastructure, including water and sewer reticulation, sanitation, pipelines (excluding bulk infrastructure) other economic and social infrastructure, tourism and cultural industries, waste management, parks and beautification, sustainable land based livelihoods, social services programmes and community safety programmes.

During the year, the municipality received its draw downs as per National Treasury indicatives

Finance Management Grant (FMG)

Current-year receipts	1,865,000	1,865,000	1,865,000	1,865,000
Conditions met - transferred to revenue	(1,865,000)	(1,865,000)	(1,865,000)	(1,865,000)
	-	**-**	**-**	**-**

The Finance Management Grant is allocated to municipalities to assist in building in house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.

During the year, the municipality received its draw downs as per National Treasury indicatives.

Municipal Infrastructure Grant (MIG)

Current-year receipts	376,009,000	367,914,000	376,009,000	367,914,000
Conditions met - transferred to revenue	(305,128,881)	(347,914,000)	(305,128,881)	(347,914,000)

	Economic entity		Controlling entity	
Figures in Rand	2020	2019	2020	2019

27. Government grants and subsidies (continued)

Other	-	(20,000,000)	-	(20,000,000)
	70,880,119	**-**	**70,880,119**	**-**

The grant is meant to eradicate basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.
The municipality has applied to National Treasury for roll over of the unspent amount of the grant.

Department of Transport

Current-year receipts	2,426,000	2,290,000	2,426,000	2,290,000
Conditions met - transferred to revenue	(2,426,000)	(2,290,000)	(2,426,000)	(2,290,000)
	-	**-**	**-**	**-**

Conditions still to be met - remain liabilities The grant is used to supplement projects for the repair of roads and bridges damaged by unforeseen incidents including natural disasters

During the year, the municipality received its draw downs as per National Treasury indicatives

Water Services Infrastructure Grant (WSIG)

Current-year receipts	90,000,000	110,000,000	90,000,000	110,000,000
Conditions met - transferred to revenue	(84,569,734)	(110,000,000)	(84,569,734)	(110,000,000)
	5,430,266	**-**	**5,430,266**	**-**

Conditions still to be met - remain liabilities (see note 14)

The grant is used to facilitate the planning and implementation of various water and sanitation projects to accelerate backlog reduction and enhance the sustainability of services especially in rural municipalities..

During the year, the municipality received its draw downs as per National Treasury indicatives.

The municipality has applied to National Treasury for roll over of the unspent grant.

Infrastructure Skills Development Grant (ISDG)

Current-year receipts	5,400,000	5,400,000	5,400,000	5,400,000
Conditions met - transferred to revenue	(5,400,000)	(5,400,000)	(5,400,000)	(5,400,000)
	-	**-**	**-**	**-**

To recruit unemployed graduates into municipalities to be trained as the requirements of the relevant statutory councills within the built environment.

During the year, the municipality received its draw downs as per National Treasury indicatives.

Regional Bulk Infrastructure Grant (RBIG)

Current-year receipts	44,002,526	43,067,414	44,002,526	43,067,414
Conditions met - transferred to revenue	(44,002,526)	(43,067,414)	(44,002,526)	(43,067,414)
	-	**-**	**-**	**-**

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019	2020	2019

27. Government grants and subsidies (continued)

The grant was used for construction of bulk infrastructure which will provide sustainable water supply to the communities of Umzimvubu ana Matatilele local areas. The grant is transfered from DWA.

During the year, the municipality received its draw downs as per National Treasury indicatives.

Energy Efficiency

Current-year receipts	6,000,000	6,000,000	6,000,000	6,000,000
Conditions met - transferred to revenue	(6,000,000)	(6,000,000)	(6,000,000)	(6,000,000)
	-	**-**	**-**	**-**

To provide subsidies to municipalities to implement energy efficiency and demand side management initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.

During the year, the municipality received its draw downs as per National Treasury indicativesy

Municipal Disaster Relief

Current-year receipts	1,877,000	-	1,877,000	-
Conditions met - transferred to revenue	(1,877,000)	-	(1,877,000)	-
	-	**-**	**-**	**-**

Conditions still to be met - remain liabilities (see note 14).

To provide funding for responding to and providing relief for unforseable and unavoidable disasters.

Service Seta

Balance unspent at beginning of year	166,002	546,731	-	-
Current-year receipts	-	1,239,962	-	-
Conditions met - transferred to revenue	-	(1,620,691)	-	-
	166,002	**166,002**	**-**	**-**

Conditions still to be met - remain liabilities (see note 14).

	Economic entity		Controlling entity	
Figures in Rand	2020	2019	2020	2019

28. Employee related costs

Basic	183,415,731	166,399,915	177,202,450	161,038,916
Commissions	211,013	91,201	-	-
Bonus	11,149,674	9,836,386	11,149,674	9,836,386
Medical aid - company contributions	10,494,239	9,342,841	9,804,410	8,638,303
UIF	1,332,288	936,023	1,297,190	902,584
SDL	1,778,456	1,915,659	1,669,902	1,836,000
Leave pay provision charge	9,619,497	5,040,883	9,218,957	4,755,226
Defined contribution plans	19,697,006	17,242,244	18,797,896	16,547,617
Overtime payments	3,548,881	1,241,211	3,548,881	1,241,211
Long-service awards	2,102,491	1,551,190	2,102,491	1,551,190
Acting allowances	745,145	428,230	-	-
Transport allowance	16,850,001	15,909,450	16,850,001	15,909,450
Car allowance	1,532,391	1,256,521	-	-
Housing benefits and allowances	7,100,026	7,268,372	7,100,026	7,268,372
Standby allowances	1,854,670	890,869	1,854,670	890,869
Shift Allowances	15,072,586	14,546,744	15,072,586	14,546,744
Bargaining Council	60,775	51,329	60,775	51,329
	286,564,870	**253,949,068**	**275,729,909**	**245,014,197**

Remuneration of Municipal Manager

Annual Remuneration	1,074,635	1,022,414	1,074,635	1,022,414
Car Allowance	125,374	118,277	125,374	118,277
Bonus	88,286	83,459	88,286	83,459
Contributions to UIF, SDL and Levy	15,079	16,704	15,079	16,704
Other	501,495	473,109	501,495	473,109
	1,804,869	**1,713,963**	**1,804,869**	**1,713,963**

Remuneration of Chief Finance Officer

Annual Remuneration	1,138,109	1,066,921	1,138,109	1,066,921
Car Allowance	282,080	266,113	282,080	266,113
Bonus	73,528	46,200	73,528	46,200
Contributions to UIF, SDL, Levy	12,280	13,972	12,280	13,972
	1,505,997	**1,393,206**	**1,505,997**	**1,393,206**

Remuneration of Senior Manager - Community Services

Annual Remuneration	770,153	968,746	770,153	968,746
Car Allowance	128,359	10,091	128,359	10,091
Bonus	20,182	-	20,182	-
Contributions to UIF, SDL, Levy	12,289	11,737	12,289	11,737
Other	320,897	25,228	320,897	25,228
	1,251,880	**1,015,802**	**1,251,880**	**1,015,802**

Remuneration of Senior Manager- Corporate Services

Annual Remuneration	770,153	726,559	770,153	726,559
Car Allowance	320,897	302,733	320,897	302,733
Bonus	63,271	59,812	63,271	59,812
Contributions to UIF, SDL, Levy	12,401	13,591	12,401	13,591
Other	128,359	121,093	128,359	121,093

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019	2020	2019
28. Employee related costs (continued)				
	1,295,081	**1,223,788**	**1,295,081**	**1,223,788**
Remuneration of Senior Manager -Technical Services				
Annual Remuneration	385,907	688,444	385,907	688,444
Car Allowance	96,476	223,704	96,476	223,704
Bonus	32,159	73,860	32,159	73,860
Contributions to UIF, SDL, Levy	5,340	13,893	5,340	13,983
Other	128,637	177,816	128,637	177,816
Acting Allowance	48,437	-	48,437	-
	696,956	**1,177,717**	**696,956**	**1,177,807**
Remuneration of Senior Manager -Planning and Economic Development				
Annual Remuneration	238,895	606,450	238,895	606,450
Car Allowance	15,000	105,261	15,000	105,261
Bonus	-	47,571	-	47,571
Contributions to UIF, SDL	1,216	11,548	1,216	11,548
Other	17,159	248,467	17,159	248,467
Acting allowance	86,945	-	86,945	-
	359,215	**1,019,297**	**359,215**	**1,019,297**

Remuneration of staff is within the upper limits of the SALGA bargaining council determinations.

29. Remuneration of councillors

Councillors	11,565,141	10,359,387	11,565,141	10,359,387
Remuneration of Councillors				
Executive Mayor	893,850	859,471	893,850	859,471
Deputy Executive Mayor	442,648	393,890	442,648	393,890
Speaker	715,078	687,575	715,078	687,575
Chief Whip	670,387	679,242	670,387	679,242
Mayoral Committee	5,452,032	5,321,369	5,452,032	5,321,369
Councillors	3,391,145	2,417,840	3,391,145	2,417,840
	11,565,140	**10,359,387**	**11,565,140**	**10,359,387**

The allowances and benefits of councillors as disclosed above are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this act.

30. Litigation Expenditure

Legal Fees	2,038,619	9,508,418	2,038,619	9,508,418

31. Depreciation and amortisation

Property, plant and equipment	80,598,779	77,610,368	80,253,612	77,301,720

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019	2020	2019

32. Finance costs

Interest on Overdue Accounts	364	13,428	364	13,428
DBSA Loan	359,019	725,915	359,019	725,915
	359,383	**739,343**	**359,383**	**739,343**

33. Debt impairment

Provision for Debt Impairment	2,593,262	7,814,997	2,593,262	7,814,997

34. Bulk purchases

Water	8,624,476	8,910,629	8,624,476	8,910,629

35. Contracted services

Security Services	26,053,628	19,322,891	26,053,628	19,322,891
Repairs and Maintanence	42,362,799	41,230,685	42,305,554	41,196,034
Other Contractors	24,502,217	22,072,964	24,502,217	22,072,964
	92,918,644	**82,626,540**	**92,861,399**	**82,591,889**

36. Transfers and subsidies paid

Other subsidies				
Other Grants	-	-	17,826,087	17,395,425

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019	2020	2019

37. General expenses

Accounting fees	1,082,321	1,186,000	-	-
Advertising	1,834,715	4,427,481	1,709,148	4,378,462
Auditors remuneration	7,598,892	7,288,452	6,788,280	6,031,096
Bank charges	787,299	777,428	766,064	754,501
Cleaning	1,455,759	492,849	1,435,259	473,538
Consulting and professional fees	27,872,883	6,799,229	27,722,431	6,551,264
Consumables	8,072,178	8,778,594	8,072,178	8,778,594
Debt collection	419,236	364,988	-	-
Insurance	1,901,211	1,887,899	1,783,241	1,789,127
Conferences and seminars	600,144	1,781,476	600,144	1,781,476
IT expenses	1,279,000	-	1,279,000	-
Magazines, books and periodicals	631,695	-	631,695	-
Motor vehicle expenses	5,838	8,783	-	-
Packaging	140	-	-	-
Fuel and oil	4,059,221	3,588,677	4,058,974	3,588,677
Postage and courier	811	256	-	-
Printing and stationery	1,481,477	950,865	1,364,519	828,889
Promotions	4,370	-	-	-
Protective clothing	725,078	3,658,170	725,078	3,658,170
Project maintenance costs	2,019,176	2,741,487	-	-
Software expenses	-	141,710	-	141,710
Subscriptions and membership fees	2,748,532	2,719,150	2,748,532	2,719,150
Telephone and fax	8,111,508	8,104,154	7,533,848	7,629,411
Travel - local	21,052,846	21,671,671	20,753,512	21,000,720
Electricity	14,586,345	13,233,801	14,475,377	13,110,267
Accomodation	4,636,534	4,224,484	4,521,339	4,057,167
Audit Committee	802,626	885,087	599,536	641,378
Catering and Venue Hire	1,805,858	4,148,346	1,741,230	3,191,655
Licence Fees	8,236,850	10,193,385	8,236,850	10,191,870
Other expenses	20,810,590	18,717,095	20,799,088	18,693,359
	144,623,133	**128,771,517**	**138,345,323**	**119,990,481**

Cost containment measures

The municipality has developed and implemented the cost containment policy as per Government Gazette No 42514.

38. Auditors' remuneration

Fees	7,598,892	7,288,452	6,788,280	6,031,096

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019	2020	2019

39. Cash generated from operations

Surplus	459,563,688	534,903,158	458,876,377	533,761,902
Adjustments for:				
Depreciation and amortisation	80,598,779	77,610,368	80,253,612	77,301,720
Loss on Disposals	82,862	1,234,802	82,862	1,240,265
Actuarial (Gains)/Loss	(485,741)	897,443	(485,741)	897,443
Depreciation adjustments	(79,890)	-	-	-
Finance costs	(144,939)	(67,676)	(144,939)	(67,676)
Debt impairment	2,593,262	7,814,997	2,593,262	7,814,997
Movements in operating lease assets and accruals	35,486	19,018	35,486	19,018
Movements in provisions	6,520,885	5,838,651	6,520,885	5,838,651
Movement in short term provisions	1,421,624	91,427	1,311,112	-
Debt forgiveness	(89,078)	-	-	-
Other non-cash items	(377,638)	(46,783)	-	-
Changes in working capital:				
Inventories	1,209,208	(1,691,242)	1,209,208	(1,691,242)
Receivables from exchange transactions	(5,965,314)	(11,750,160)	(5,937,114)	(11,708,153)
Other receivables from non-exchange transactions	(3,410,131)	582,035	(3,410,131)	582,035
Payables from exchange transactions	29,688,322	(3,281,085)	30,438,640	(3,216,275)
VAT	10,285,937	6,319,558	9,621,272	6,967,747
Unspent conditional grants and receipts	76,310,384	(380,729)	76,310,385	1
Payables from Non Exchange Transactions	1,062,893	800,059	1,062,894	800,058
	658,820,599	**618,893,841**	**658,338,070**	**618,540,491**

40. Financial instruments disclosure

Categories of financial instruments

Economic entity - 2020

Financial assets

	At fair value	At amortised cost	Total
Long Term Investments	8,727,587	-	8,727,587
Trade and Other Receivables	-	57,305,610	57,305,610
Other Receivables from Non Exchange Transactions	-	4,101,231	4,101,231
Cash and Cash Equivalents	-	578,722,009	578,722,009
VAT Receivable	-	10,057,662	10,057,662
	8,727,587	**650,186,512**	**658,914,099**

Financial liabilities

	At amortised cost	Total
DBSA Loan	6,926	6,926
Trade and other payables from exchange transactions	168,077,362	168,077,362
Trade and other payables from non- exchange transactions	2,241,327	2,241,327
Operating lease liability	225,957	225,957
Unspent grants	76,476,390	76,476,390
	247,027,962	**247,027,962**

Economic entity - 2019

Financial assets

	Economic entity		Controlling entity	
Figures in Rand	2020	2019	2020	2019

40. Financial instruments disclosure (continued)

	At fair value	At amortised cost	Total
Long Term Investments	8,022,159	-	8,022,159
Trade and other receivables	-	53,945,554	53,945,554
Other receivables from non-exchange transactions	-	691,100	691,100
Cash and cash equivalents	-	283,220,707	283,220,707
VAT Receivable	-	19,724,617	19,724,617
Operating lease asset	-	24,799	24,799
	8,022,159	**357,606,777**	**365,628,936**

Financial liabilities

	At amortised cost	Total
Long Term Loan	5,206,785	5,206,785
Trade and other payables from exchange transactions	108,733,117	108,733,117
Operating Lease liability	215,269	215,269
Payables from non exchange transactions	1,178,433	1,178,433
Unspent Grants	166,002	166,002
	115,499,606	**115,499,606**

Controlling entity - 2020

Financial assets

	At fair value	At amortised cost	At cost	Total
Unlisted Investments	-	-	100	100
Long Term Investments	8,727,587	-	-	8,727,587
Trade and other receivables	-	57,103,253	-	57,103,253
Other recivables from Non Exchange Transactions	-	4,101,231	-	4,101,231
Cash and cash equivalents	-	578,014,620	-	578,014,620
VAT Receivable	-	10,057,662	-	10,057,662
	8,727,587	**649,276,766**	**100**	**658,004,453**

Financial liabilities

	At amortised cost	Total
DBSA Loan	6,926	6,926
Trade and other payables from exchange transaction	166,970,089	166,970,089
Trade and other payables from non exchange transactions	2,241,327	2,241,327
Operating lease liability	225,957	225,957
Unspent grants	76,310,388	76,310,388
	245,754,687	**245,754,687**

Controlling entity - 2019

Financial assets

	At fair value	At amortised cost	At cost	Total
Unlisted Investments	-	-	100	100
Long Term Investments	8,022,159	-	-	8,022,159

	Economic entity		Controlling entity	
Figures in Rand	2020	2019	2020	2019
40. Financial instruments disclosure (continued)				
Trade and Other Receivables from Exchange transactions	-	53,771,397	-	53,771,397
Other Receivables from non - exchange transactions	-	691,100	-	691,100
Cash and cash equivalents	-	282,497,180	-	282,497,180
VAT Receivable	-	19,678,934	-	19,678,934
Operating lease Asset	-	24,799	-	24,799
	8,022,159	**356,663,410**	**100**	**364,685,669**

Financial liabilities

	At amortised cost	Total
Long Term Loan	5,206,785	5,206,785
Trade and other payables from exchange transactions	107,619,679	107,619,679
Operating lease liability	215,269	215,269
Payables from Non Exchange Transactions	1,178,433	1,178,433
	114,220,166	**114,220,166**

41. Commitments

Authorised capital expenditure

Already contracted for but not provided for				
• Property, plant and equipment	776,509,760	969,820,204	776,493,760	969,758,009
Total capital commitments				
Already contracted for but not provided for	776,509,760	969,820,204	776,493,760	969,758,009

This committed expenditure relates to property and will be financed by grants and internally generated funds..

Operating leases - Buildings Expenses

Minimum lease payments due				
- within one year	387,679	356,071	387,679	356,071
- in second to fifth year inclusive	1,095,013	1,388,832	1,095,013	1,388,832
- later than five years	101,067	394,908	101,067	394,908
	1,583,759	**2,139,811**	**1,583,759**	**2,139,811**

Operating lease payments represent rentals payable by the economic entity for certain of its office properties. No contingent rent is payable.

Rental expenses relating to operating leases				
Minimum lease payments	43,521	435,215	43,521	435,215

Operating leases - as lessor (income)

Minimum lease payments due				
- within one year	-	373,327	-	373,327
- in second to fifth year inclusive	-	329,044	-	329,044
	-	**702,371**	**-**	**702,371**

Certain of the municipality's excess office space at the main offices is rented out to third parties. Lease agreements are non-cancellable and have terms from 3 to 6 years. There are no contingent rents receivable.

	Economic entity		Controlling entity	
Figures in Rand	2020	2019	2020	2019

42. Contingencies

Contingent Liabilities	2020	2019
Makaziwe vs ANDM In this matter summons were issued against the municipality for payment of the sum R115 000 for services rendered it being alleged that the service provider was appointed to render certain services. The matter is being defended.	115,000	115,000
During 2010 J and G Enterprises issued summons for financial damages it being alleged that the municipality stopped them from performing their contract. The matter is being defended by the municipality . The matter is in pleading stage	1,541,600	1,541,600
In 2010 Zolani Gulwa issued summons against the municipality for breach of contract of employment in that the municipality failed to pay him in terms of the contract. The municipality is defending the matter and it is pending in the high court. The matter is in pleading stage.	566,189	566,189
Sinezipho Urban and Rural Development claims against the municipality for alleged termination of contract. The municipality is defending the matter	1,544,713	1,544,713
In 2008 M J Phirimane issued summons against the municipality for services rendered. The municipality is defending the matter. A trial date is awaited.	-	28,200
Rob Potow irrigation issued summons against the municipality for failure to pay for for material supplied in term of a verbal agreement. The municipality is defending the matter. The outcome is not certain at this stage.	-	24,522
Letter of demand received in lieu of specialist consultancy services rendered ANDM vs Moko Corporate	375,927	375,927
Supa Brick Tile vs ANDM: Payment for oustanding material for building material supplied as per cession.	127,782	127,782
ANDM vs PDNA: Debt collection in respect to outstanding amounts.	68,400	68,400
ANDM vs Don Boti: Eviction matter	-	25,187
Natal Joint Municipal Pension Fund vs ANDM: Pyment of outstanding fund contribution	147,937	147,937
Eugene Nel and Anand Jayraj v ANDM: Outstanding payment in respect of construction of municipalitys infrastructure	2,990,117	2,990,117
Sikhokele Maphukutha VS ANDM: Repudiation of employment contract	6,600,000	6,600,000
Uvikela Security vs ANDM: Outstanding payment in respect of supply, instalation and delivery of security equipment.	-	333,192
ANDM vs Arule Security: Payment outstanding for services rendered.	1,392,679	1,392,679
ECDC vs ADNM: Outstanding payment in respect of cession agreement.	114,240	114,240
Ikamva Lolutsha vs ANDM: Alleged breach of contract in lie of supply of branded material.	40,072	40,072
ANDM vs Royal Hasking: Outstanding amount in respect of Umzimvubu ward 6 water project.	1,259,500	1,259,500
Madikizela vs ANDM: Alleged termination of contract of employment	3,000,000	3,000,000
ANDM vs Sutu : Motor vehicle accident	50,000	50,000
Standard Bank Vs ANDM- Damages for motor vehicle.	100,000	-
Umso Construction VS ANDM- Claim for services rendered.	5,390,148	-
ANDM Vs Affinity solutions - non payment for professional services rendered	313,505	313,505
ANDM vs MP Civils - Alleged failure to supply and deliver a crawler sprinkler	30,700	30,700
ANDM vs Hlumie Security Forces- Termination of contract	577,500	-
ANDM vs Yongama Gxumisa- Repudiation of employment agreement.	5,000,000	-
Price Waterhouse Coopers-Termination of contract	1,125,184	1,125,184
Madikezela Vs ANDM- Termination of employment contract	3,000,000	3,000,000
FBI Solutions- Termination of contract	762,250,000	762,250,000
	797,721,193	**787,064,646**

43. Prior period errors

Prior period has been amended to account for prior period errors

Below is a summary of the total effect that the prior period errors, changes in accounting policies and reclassification of comparatives had on the amounts previously disclosed in the annual financial statements, followed by a description of each individual error with the amounts involved

The correction of the error(s) results in adjustments as follows:

	Economic entity		Controlling entity	
Figures in Rand	2020	2019	2020	2019

43. Prior period errors (continued)

Statement of Financial Performance for the year ended 2019	Balance as previously reported	Prior period error	Reclassfied	Restated Balance
Service charges	36,021,719	-	-	36,021,719
Rental of facilities	453,061	-	-	453,061
Agency services	221,502	-	-	221,502
Other income	2,820,208	-	-	2,820,208
Interest received - investment	38,972,717	-	-	38,972,717
Government grants and subsidies	1,039,718,901	-	-	1,039,718,901
Revenue Total	1,118,208,108	-	-	1,118,208,108
Employee Related Costs	(253,949,068)	-	-	(253,949,068)
Remuneration of Councillors	(10,359,387)	-	-	(10,359,387)
General Expenses	(126,751,105)	(2,020,412)	-	(128,771,517)
Litigation Expenditure	(9,479,174)	(29,244)	-	(9,508,418)
Debt Impairment	(7,814,997)	-	-	(7,814,997)
Depreciation and amortisation	(74,453,244)	(3,157,124)	-	(77,610,368)
Finance Costs	(739,343)	-	-	(739,343)
Bulk purchases	(8,910,629)	-	-	(8,910,629)
Contracted services	(82,568,074)	(58,466)	-	(82,626,540)
Transfers and subsidies	(4,121)	-	-	(4,121)
Gain or loss on disposal	(1,234,802)	-	-	(1,234,802)
Actuarial gains or loss	(897,443)	-	-	(897,443)
Operating leases	(878,317)	-	-	(878,317)
Surplus for the year	**540,168,404**	**(5,265,246)**	**-**	**534,903,158**

Statement of Financial Position as at 30 June 2019	Balances as previously reported	Prior period errors	Reclassified	Restated Balance
Inventories	12,438,841	-	-	12,438,841
Receivables from exchange transactions	53,945,555	-	-	53,945,555
Receivables from non- exchange transactions	1,065,753	(374,653)	-	691,100
VAT Receivable	21,310,084	(1,585,369)	-	19,724,715
Cash and cash equivalents	283,220,709	-	-	283,220,709
Property Plant and Equipment	3,939,531,252	(6,686,362)	-	3,932,844,890
Intangible Assets	2,830,884	-	-	2,830,884
Heritage Assets	131,100	-	-	131,100
Investments in Controlled Entities	100	-	-	100
Investments	8,022,159	-	-	8,022,159
Operating lease asset	24,799	-	-	24,799
Subtotal	4,322,521,236	(8,646,384)	-	4,313,874,852
Operating lease	(215,270)	-	-	(215,270)
Payables from exchange transactions	(119,398,329)	9,936,329	-	(109,462,000)
Unspent Conditional Grants	(166,002)	-	-	(166,002)
Provisions	(23,704,078)	-	-	(23,704,078)
Current Portion of Long Term Loan	(770,706)	-	-	(770,706)
Payables from non exchange from transactions	(1,178,433)	-	-	(1,178,433)
Provisions	(8,922,810)	-	-	(8,922,810)
Long Term Loan	(4,436,079)	-	-	(4,436,079)
Employee benefits obligations	(665,078)	-	-	(665,078)
Opening Accumulated surplus	(3,621,522,221)	(6,555,175)	-	(3,628,077,396)
	541,542,230	**(5,265,230)**	**-**	**536,277,000**

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019	2020	2019

43. Prior period errors (continued)

Statement of financial position

	-	-	-	-
Accumulated Surplus				
Fixed assets adjustment				1,848,187
Payables adjustment				4,837,269
Correction of Receivables from Non Exchange Transactions				(130,282)
				6,555,174

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019	2020	2019

43. Prior period errors (continued)

General expenses

The municipality conducted a search for unrecorded liabilities for the year ended 30 June 2019 to ensure that all transactions for the year had been fully accounted for . The search showed that transactions of general expenditure nature totaling R2 020 412 had been omitted and these were duly accounted for by way o prior period adjustment.

Depreciation

The municipality reviewed the useful lives for some of its assets that had carrying values of zero. This resulted in the downward revision of the depreciation charge of the previous year by R991 358. In addition the municipality also capitalised projects that had been finished in the previous period but had not been capitalised. This resulted in addition depreciation charge of R4 148 366.52. Overally depreciation was adjusted by R 3 157 123.93

Payables from exchange transactions

A review of the retentions register revealed that certain of the amounts had actually been released earlier on but had not been derecognised thus overstating the municipality's payables. The removal of the said amounts from the retentions register resulted in a downward movement of the retentions by R6 574 601. A review of the creditors accrual also revealed that 3 suppliers had not yet provided the services that they had been credited for. These were duly reversed resulting in a downward movement of R6 904 056. On the other hand, the search for unrecorded liabilities resulted in fresh accruals of R3 542 329 being raised. The net effect of this was a downward movement of payables by R9 936 329.

Vat Receivable

The reversal of invalid retentions from the retentions register resulted in the removal of the associated vat on retentions resulting in VAT going down by R1 585 369

Receivables from non exchange transactions

Two balances due from overpaid contrators had beed recovered in prior periods but the recovery had not been credited to the debtors which continued to be reflected as outstanding. This has now been corrected which resulted in a downward revison of the figure by R374 653

Property plant and equipment

A review of the accruals listing for last year revealed that two transactions that been accrued for despite the fact that the invoices that had been received were latter on cancelled. The items were for work in progress. The items were reversed resulting in a downward revison of PPE by R6 686 362. In addition, the municipality also capitalised projects totalling R56 067 574 which had remained under assets under construction despite them being completed. I

Accumulated surplus

The correction of the error on the retentions balance was credited to the accumulated surplus and the amount involved was R5 706 000. Some previously unaccrued liabilities were identified and duly charged to accumulated surplus totalling R869 000. The backdated revision of depreciation of certain assets resulted in a gain of R1 571 381.16 which was credited to accumulated surplus.In addition, the capitalisation of previously completed assets which had remained uncapitalised resulted in backdated depreciation charge of R3 186 656.54 which was charged to the accumulated surplus vote. The net effect of all these transactions was R6 555 175 adjustment on accumulated surplus.

	Economic entity		Controlling entity	
Figures in Rand	2020	2019	2020	2019

43. Prior period errors (continued)

44. Unauthorised expenditure

Opening balance as previously reported	108,248,302	346,948,870	108,248,302	346,948,870
Less approved by council	-	(238,700,568)	-	(238,700,568)
Closing balance	**108,248,302**	**108,248,302**	**108,248,302**	**108,248,302**

45. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	18,206,837	17,826,708	17,840,108	17,826,708
Current year	419,600	380,129	364	13,400
	18,626,437	**18,206,837**	**17,840,472**	**17,840,108**
Incident				
Interest Paid to Eskom	364	5,220	364	5,220
Interest paid MCPF	-	328	-	328
Late Payment	-	57	-	57
MWRF	-	2,150	-	2,150
Interest paid to Natal Joint Super	-	277	-	277
Interest paid to Salaries Pension	-	2,450	-	2,450
Interest paid to Mbizana Local Municipality	-	21	-	21
Interest paid to National Health Laboratory Service	-	910	-	910
Interest paid to SARS	-	1,987	-	1,987
Interest on late payment to Eskom	-	2,558	-	-
Interest on late payment to SARS	413,323	311,645	-	-
Interest on late payment to Auditor General	5,913	50,876	-	-
Interest on car Hire	-	1,650	-	-
	419,600	**380,129**	**364**	**13,400**

46. Irregular expenditure

Opening Balance as previously reported	,352,720,797	,124,409,714	1,322,935,787	1,099,563,249
Correction of prior period error	-	80,845,960	-	80,845,960
Subtotal	,352,720,797	,205,255,674	1,322,935,787	1,180,409,209
Irregular Expenditure - Current Year	-	1,510,447	-	1,510,447
Irregular Expenditure incurred in the current year as a result of prior's year irregular contracts.	88,381,920	145,954,676	85,666,375	141,016,131
	,441,102,717	**,352,720,797**	**1,408,602,162**	**1,322,935,787**

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019	2020	2019

46. Irregular expenditure (continued)

Details of irregular expenditure

SCM processes not followed			36,525,442	
Section 32 Regulations not followed			4,356,935	
Declaration of interest not followed			32,930,615	
BEC minutes signed by two members instead of three			1,772,761	
BAC composition not correct			9,374,754	
Tender not advertised			1,578,503	
Overspending			1,842,910	
			88,381,920	

47. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government (SALGA fees)

Opening balance	-	8,786	-	8,786
Current year subscription / fee	2,694,394	2,705,500	2,694,394	2,705,500
Amount paid - current year	(2,694,394)	(2,714,286)	(2,694,394)	(2,714,286)
	-	**-**	**-**	**-**

Audit fees

Opening balance	84,326	84,326	84,326	84,326
Current year subscription / fee	6,759,048	6,521,719	6,759,048	6,521,719
Amount paid - current year	(6,759,048)	(6,521,719)	(6,759,048)	(6,521,719)
	84,326	**84,326**	**84,326**	**84,326**

PAYE and UIF

Opening balance	154,284	-	-	-
Current year subscription / fee	46,497,377	41,356,837	43,626,011	38,997,938
Amount paid - current year	(46,651,661)	(41,202,553)	(43,626,011)	(38,997,938)
	-	**154,284**	**-**	**-**

Pension and Medical Aid Deductions

Current year subscription / fee	29,379,331	25,464,111	29,379,331	25,464,111
Amount paid - current year	(29,379,331)	(25,464,111)	(29,379,331)	(25,464,111)
	-	**-**	**-**	**-**

VAT

VAT receivable	9,438,680	19,724,617	10,057,662	19,678,934

VAT output payables and VAT input receivables are shown in note 7.

All VAT returns have been submitted by the due date throughout the financial year.

	Economic entity		Controlling entity	
Figures in Rand	2020	2019	2020	2019

47. Additional disclosure in terms of Municipal Finance Management Act (continued)

Deviations Authorised

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipality Manager and noted by Council.

Incident				
Phiko Security - Impossible to advertise due to security threat	71,404	-	71,404	-
Lok Consulting- Emergency due to Covid outbreak	126,960	-	126,960	-
Ronauna- Emergency due to Covid outbreak	165,140	-	165,140	-
Ntuts Enterprise- Emergency due to Covid outbreak	72,000	-	72,000	-
Anforcept Trading Enterprise- Emergency due to Covid outbreak	82,800	-	82,800	-
Ntuts Enterprise- Emergency due to Covid outbreak	63,000	-	63,000	-
Anforcept Trading Enterprise- Emergency due to Covid outbreak	74,250	-	74,250	-
Ntuts Enterprise- Emergency due to Covid outbreak	36,000	-	36,000	-
Anforcept Trading Enterprise- Emergency due to Covid outbreak	41,400	-	41,400	-
Middleman- Emergency due to Covid outbreak	216,000	-	216,000	-
Middleman- Emergency due to Covid oubreak	36,000	-	36,000	-
Alfred Nzo Community Radio- Emergency due to Covid outbreak	165,000	-	165,000	-
Alfred Nzo Community Radio- Emergency due to Covid outbreak	110,000	-	110,000	-
Teo Pushing Forward- Emergency due to Covid outbreak	1,545,600	-	1,545,600	-
Molathile Trading and Projects- Emergency due to Covid outbreak	37,950	-	37,950	-
Mpoetsi Tsuputsi- Emergency due to Covid outbreak	40,000	-	40,000	-
Amathusi Investment- Emergency due to Covid outbreak	884,000	-	884,000	-
Doc Lia Trading- Emergency due to Covid outbreak	886,940	-	886,940	-
Alpha and Omega- Emergency due to Covid outbreak	50,000	-	50,000	-
Nice Things Decor- Emergency due to Covid outbreak	82,934	-	82,934	-
SABC Umhlobo Wenene- Emergency due to Covid outbreak	81,144	-	81,144	-
Winsko Projetcs- Emergency due to Covid outbreak	861,351	-	861,351	-
Teo Pushing Forward- Emergency due to Covid outbreak	1,270,145	-	1,270,145	-
ICT Choice- Emergency	947,530	-	947,530	-
Tumwine Construction- Emergency due to Covid outbreak	94,900	-	94,900	-
Zinzame Consulting- Emergency due to COVID outbreak	5,000,000	-	5,000,000	-
JNT Consulting JV Nageni Civils- Emergency due to COVID outbreak	8,400,000	-	8,400,000	-
Masilakhe/ Olon JV- Emergency due to COVID outbreak	8,300,000	-	8,300,000	-
Gilgal Consulting- Emergency due to COVID outbreak	6,500,000	-	6,500,000	-
Ntsizwa Guest House- Could not obtain quotations due to lockdown	26,400	-	26,400	-
Kude Investment Holding- Emergency due to security threats	-	125,000	-	125,000
NMI Durbam South Motors - Impractical to advertise due to stripping	-	67,829	-	67,829
NMI Durban- Impractical to advertise due to stripping	-	30,178	-	30,178
Thopmson Commercial Vehicle	-	40,108	-	40,108

	Economic entity		Controlling entity	
Figures in Rand	2020	2019	2020	2019
47. Additional disclosure in terms of Municipal Finance Management Act (continued)				
Travel Start- Only one service provider	-	4,586	-	4,586
NMI Durban South Motors- Impractical to sdvertise due to stripping	-	21,286	-	21,286
Bates and Johnstone Motors	-	206,087	-	206,087
Roal Investment Holding- Impractical to advetise due to stripping	-	34,055	-	34,055
Roal Investment Holding- Impractical to advertise due to strippping	-	30,046	-	30,046
NMI Durban South- Impractical to advertise due to stripping	-	111,890	-	111,890
Thompson Commercial Vehicles- Impractical to advertise due to stripping	-	113,514	-	113,514
Sekumhlaba Health Promotion- Impractical to get three quotes	-	19,200	-	19,200
Optron- Only service provider	-	7,475	-	7,475
Roal Investment Holdings- Impractical to get three quotations	-	11,306	-	11,306
Roal Investments Holdings-Impractical to advertise due to stripping	-	62,200	-	62,200
NMI Mercedes Benz- Impractical to advertise due to stripping	-	130,258	-	130,258
NMI Mercedes Benz- Impractical to advertise due to stripping	-	68,304	-	68,304
SABC - State owned company	-	287,500	-	287,500
NMI Mercedes Benz Durban- Impractical to advertise due to stripping	-	69,083	-	69,083
Kokstad Locksmith- Emergency	-	8,062	-	8,062
Kokstad Locksmith- Emergency	-	2,674	-	2,674
Avis Car Hire- Emergency	-	26,674	-	26,674
Dop Dop Security threat- Emergency due to security threat	-	137,222	-	137,222
Opinianated Trading enterprises- Emergency due to theft at satelite offices	-	156,050	-	156,050
Imani Business- Exceptional case	1,229,910	-	-	-
Elliot & Walker -Emergency	11,215	11,215	-	-
Camelsa Consulting- Exceptional case	72,008	-	-	-
Munsoft - Exceptional case	57,500	-	-	-
	37,639,481	**1,781,802**	**36,268,848**	**1,770,587**

In addition to the above, the municipality could also not follow its SCM procedures for the below listed service providers. Initially, the municipality invited bids for the repairs and maintenance from interested suppliers. However, nobody qualified hence the municipality resorted to section 36 to pick service providers.

1) Iveco- Port Shepstone
2) Tryes and More - Kokstad
3) Dericks Engineering- Kokstad
4) Capital Panel Beaters- Kokstad
5) Johnson Delta- Kokstad
6) Isuzu Trucks- Port Shepstone
7) TFM - Durban
8) Ian Dicke & Co (Pty) Ltd- Pine Town
9) Thompson Motors - Shelly Beach

	Economic entity		Controlling entity	
Figures in Rand	2020	2019	2020	2019

48. Covid - 19 Disclosure

On 15 March 2020, President Cyril Ramaphosa announced the declaration of a state of national disaster following the World Health Organisation declaration of the Covid-19 outbreak as a pandemic as well as measures that must be implemented in South Africa

On 18 March 2020, regulations under the Disaster Management Act, 2002, regarding steps to prevent an escalation of the disaster or to alleviate, contain and minimise the effects of the Disaster were gazetted in Government Notice No.318 of 18 March 2020, as amended and substituted from time to time (the DMA regulations).

Regulation 9 of the DMA Regulations provides that emergency procurement for institutions is subject to-
a) the public Finance Management Act, 1999 (Act No. 1 of 1999), and the applicable emergency provisions in the Regulations or Instructions made under section 76 of that Act; and
b) The Municipal Finance Management Act, 2003 (Act No, 56 of 2003), and the applicable emergency provisions in the Regulations made under the Act.

Accounting officers of the municipalities and municipal entities may deviate from inviting competitive bids in cases of emergency in terms of regulation 36 of the Municipal Supply Chain Management Regulations read with the Municipal Supply Chain Management policies. This does not require National Treasury approval. The Covid 19 pandemic is a situation that justifies the use of emergency procurement provisions

The emergency procurement provisions provide for accounting officers to procure the required goods or services by other means, such as price quotations or negotiations. The reasons should be recorded and approved by the accounting officer or his/her delegate.